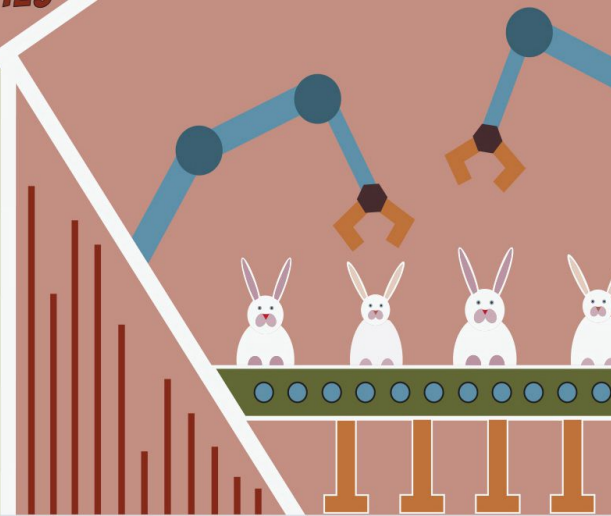


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# **TOWARD A CROSS-LEVEL UNDERSTANDING OF INSTITUTIONAL CHANGE**

A MICROFOUNDATIONAL PERSPECTIVE



J.C. KUIJPERS

**TOWARD A CROSS-LEVEL UNDERSTANDING  
OF INSTITUTIONAL CHANGE**

A MICROFOUNDATIONAL PERSPECTIVE

*Johannes Cornelis Kuijpers*

*Voor mijn vader*  
*Qualis pater, talis filius*

# **TOWARD A CROSS-LEVEL UNDERSTANDING OF IN-STITUTIONAL CHANGE**

A MICROFOUNDATIONAL PERSPECTIVE

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## PROLOGUE

At the end of 2019, the world was shocked by the outbreak of the COVID-19 pandemic in Wuhan, China. The COVID virus spread rapidly across the world, and the first official COVID-19 contamination of a person in The Netherlands was recorded on 27th February 2020<sup>1</sup>. The Dutch government adopted a series of measures to slow down the dissemination of the virus among Dutch citizens because of fear of seriously overloading the healthcare system. The first measures were announced between the 5th and 11th March 2020. The measures encouraged people to stop shaking hands and suggested that people in the province where the outbreak had its epicenter (Noord-Brabant) work from home and cancel large events. From that moment on, governmental measures intervening in people's daily lives expanded rapidly. On the 15th of March, the government announced that organizations in the hospitality sector—namely, restaurants, bars, et cetera—should close their doors to customers, as should all sports facilities. Up to the 6th of May, more stringent measures were taken including the closure of museums and the banning of a full array of events and gatherings. Together, these measures resulted in a substantial reduction in contamination rates, which then gave rise to a series of relaxations. For instance, on the 1st of June, restaurants re-opened but with the proviso that the maximum number of guests was restricted to thirty. Following an increase in contaminations from the 18th of August, governmental measures became more stringent once again. By the 13th of October, public facilities and the hospitality sector were subjected to closure yet again.

The Dutch government adopted a series of policies and decrees to encourage compliance with the measures taken. For instance, on the 12th of March, regional decrees were adopted that penalized organizers and attendees at proscribed events and gatherings<sup>2</sup>. On the 23rd of March, amendments to the decrees made it possible for mayors to close areas, buildings, and organizations if contamination risks were deemed dangerously high. Moreover, people and organizations could be fined for failing to comply with the rules. Progressively, more stringent decrees were adopted, and their scope was enlarged to enforce compliance across the full panoply of situations and among multiple stakeholders<sup>3</sup>. In addition to these decrees, the Dutch government adopted a series of temporary measures. Firstly, the Law of 22nd April 2020 stated that physical meetings for certain formalities were no longer a regulatory requirement; the aim was to endorse, or at least not discourage, working from home<sup>4</sup>. Secondly, a temporary legislative provision was added to the Public Health Law creating temporary legislative instruments to promote behavioral change among society and organizations<sup>5</sup>. From the perspective of institutional theory, the compliance of individuals and organizations to these rules was only to be expected. In this view, actors are willing to comply with regulations to become or remain legitimate in the eyes of referent audiences, a process termed isomorphism. From this standpoint, it can then be predicted with confidence that Dutch actors—individuals and organizations alike—will comply with the adopted regulations without engaging in critical appraisal, with the result that the COVID-19 pandemic will be quickly brought under control.

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<sup>1</sup> [www.rivm.nl/nieuws/patient-met-nieuw-coronavirus-in-nederland](http://www.rivm.nl/nieuws/patient-met-nieuw-coronavirus-in-nederland)

<sup>2</sup> [www.hollandsmiddenveilig.nl/uploads/timeline\\_item/getekende\\_noodverordening\\_covid\\_19\\_veiligheidsregio\\_hollands\\_midden\\_13\\_maart\\_2020.pdf](http://www.hollandsmiddenveilig.nl/uploads/timeline_item/getekende_noodverordening_covid_19_veiligheidsregio_hollands_midden_13_maart_2020.pdf)

<sup>3</sup> [www.veiligheidsberaad.nl/wp-content/uploads/2020/03/Definitieve-modelnoodverordening-COVID-19-veiligheidsregios.pdf](http://www.veiligheidsberaad.nl/wp-content/uploads/2020/03/Definitieve-modelnoodverordening-COVID-19-veiligheidsregios.pdf)

<sup>4</sup> [www.wetten.overheid.nl/BWBR0043413/2020-04-24](http://www.wetten.overheid.nl/BWBR0043413/2020-04-24)

<sup>5</sup> [www.eerstekamer.nl/wetsvoorstel/35526\\_tijdelijke\\_wet\\_maatregelen](http://www.eerstekamer.nl/wetsvoorstel/35526_tijdelijke_wet_maatregelen)

However, these propositions do not seem to adequately reflect the true situation. Firstly, a variety of organizations and collectives of organizations (trade associations) have actively lobbied the government to attenuate regulations or to grant exemptions from them<sup>6</sup>. This suggests that organizations believe a degree of discretion exists in the implementation of compliance decisions. Indeed, organizations do not always comply. A news item in a Dutch national newspaper has reported thousands of incidences where organizations fail to take the required measures to protect their personnel from contamination<sup>7</sup>. Moreover, news items frequently pinpoint organizations that are fined for failing to comply<sup>8</sup>. Furthermore, despite no change in the advice encouraging individuals to work from home and to attend the office only when strictly necessary, traffic has gradually got busier and has almost reached the level that existed before the outbreak of COVID-19<sup>9</sup>. Also, some organizations adopted innovations and new practices in response to the regulations, whereas similar organizations did not. For instance, a Michelin star restaurant started delivering pizzas<sup>10</sup>. These observations may suggest that: (a) institutional pressures do not promote compliance in a linear fashion, (b) organizations may shape institutional pressures, and (c) organizations interpret and act upon pressures differently. In sum, they challenge institutional accounts of structural determinism and suggest that agency plays a role.

In addition to earlier attempts to bring agency into institutional theory, this dissertation aims to develop a comprehensive understanding of how, and under what conditions, institutions affect organizations and vice versa. Bringing a microfoundational perspective to institutional theorizing enables one to explore mechanisms of institutional change and advance the institutional theory agenda. First of all, we develop research directions in Chapter 1 to integrate microfoundations into institutional theory—that is to say, to devise a theoretical framework. We empirically test these directions through four quantitative studies presented in Chapters 2 to 5. The conclusions, along with a discussion of their importance and implications, are presented in Chapter 6.

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6 [www.vno-ncw.nl/standpunten/corona-regels-en-veiligheid](http://www.vno-ncw.nl/standpunten/corona-regels-en-veiligheid)

7 [www.ad.nl/ad-werkt/forse-tilk-op-vingers-voor-baas-die-werknemers-niet-beschermt-tegen-corona-ab89d704/](http://www.ad.nl/ad-werkt/forse-tilk-op-vingers-voor-baas-die-werknemers-niet-beschermt-tegen-corona-ab89d704/)

8 [www.ad.nl/economie/aantal-sluitingen-en-coronaboetes-in-de-horeca-loopt-op-aecodo53/](http://www.ad.nl/economie/aantal-sluitingen-en-coronaboetes-in-de-horeca-loopt-op-aecodo53/)

9 [www.nrc.nl/nieuws/2019/06/29/files-nemen-vooral-buiten-de-spits-weer-sterk-toe-a3965564](http://www.nrc.nl/nieuws/2019/06/29/files-nemen-vooral-buiten-de-spits-weer-sterk-toe-a3965564)

10 [www.omroepbrabant.nl/nieuws/3278975/sterrenrestaurant-schakelt-over-naar-afhaalpizzas-juist-nu-moet-je-creatief-zijn](http://www.omroepbrabant.nl/nieuws/3278975/sterrenrestaurant-schakelt-over-naar-afhaalpizzas-juist-nu-moet-je-creatief-zijn)





# CHAPTER 1: INTRODUCTION

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## Institutional theory and the Problem of Agency

Traditionally, institutional theorists suggest that organizations adopt practices in response to institutional pressures arising from an organization's external environment (DiMaggio & Powell, 1983; Mizruchi & Fein, 1999; Oliver, 1991). Earlier institutional scholars recognized that actors such as organizations are embedded in broad cultural contexts or systems of meaning (Jepperson, 2002; Krücken & Drori, 2009; Meyer & Jepperson, 2000; Meyer & Rowan, 1977). From this, higher-order factors are disseminated, such as society's culture, norms, and taken-for-granted beliefs (Schneiberg & Clemens, 2006). According to this perspective, there are no real autonomous actors but only actors that perform appropriate actions because institutional rules define what actions, interests, and purposes are legitimate (Hwang & Colyvas, 2019). Actors can be considered as a materialization of institutional rules and do not have causal priority over institutions (Jepperson, 2002; Meyer & Rowan, 1977). In other words, organizational actors are creatures of rationalized environments (Meyer & Rowan, 1977; Zucker, 1977). Consequently, much empirical work in this vein has focused on macro-level explanations of organizational behavior (Tolbert & Darabi, 2019). For instance, studies have concentrated on organizations' adoption of affirmative policies under institutional pressures (Dobbin & Sutton, 1998; Dobbin, Sutton, Meyer, & Scott, 1993; Edelman, 1992; Edelman, Uggen, & Erlanger, 1999). However, by conceptualizing an actor as a manifestation of institutional rules, these studies attenuate actors' sense of agency (Powell, 1991) and, by implication, define the institution as the level where economic and social changes are initiated (Davis & Marquis, 2005). Indeed, scholars argue that an organizational environment is inherently uncertain, and this uncertainty forms a latent resource for organizational agency (King, Felin, & Whetten, 2010) enabling organizations to shape macro conditions rather than being shaped by them (Felin & Foss, 2019).

Earlier institutional theory placed too much stress on associating actor compliance with taken-for-grantedness and institutional rules. DiMaggio (1988, p. 3) described this critique as "metaphysical pathos (...) a rhetorical defocalization of interest and agency". In response, an agentic turn in institutional theory was soon to follow, reversing the initial causal relationship between institutional environment and organizations to the extent that "organizations became treated as the independent variable rather than the dependent variable in processes of institutional change" (Greenwood, Oliver, Sahlin, & Suddaby, 2008, p. 19). In this account, scholars related actors' agency to contextual conditions (Fligstein, 1997, 2001; Greenwood, Suddaby, & Hinings, 2002; Holm, 1995), social position (Battilana, 2006; DiMaggio, 1988; Haveman & Rao, 1997) and actors' specific characteristics (Fligstein, 1997, 2001; Seo & Creed, 2002), that enable "creating, maintain and disrupting institutions" (Lawrence & Suddaby, 2006, p. 2016). Some of these studies used insights from the resource dependence perspective (Oliver, 1991), while others used the rational actor model (Brinton & Nee, 1998) or followed cultural and political alternatives (DiMaggio, 1988; Fligstein, 1997). Somewhat ironically, these studies portray institutional entrepreneurs as "heroic actors" (Hardy & Maguire, 2017; Levy & Scully, 2007) who mobilize allies effectively (Boxenbaum & Battilana, 2005; Greenwood et al., 2002) and develop alliances and cooperative approaches (Fligstein, 2001; Lawrence, Hardy, & Phillips, 2002) to change institutions. Clearly, these studies ascribe a more agentic role to actors than earlier institutional work, which emphasized the institutional embeddedness of actors and its constraining effect on agency (Clemens & Cook, 1999; Friedland & Alford, 1991). Scholars sought to understand

the apparent tension between structural determinism and agency—termed “the paradox of embedded agency” (Friedland & Alford, 1991; Holm, 1995; Seo & Creed, 2002)—by a renewed interest in the idea of microfoundations (Haack, Sieweke, & Wessel, 2019). In short, the conceptualization was that structure provides opportunities for certain actions and agency is both strategic and pre-reflective by “reconcil[ing] insights that have long been seen as conflicting in institutional theory” (Cardinale, 2018, p. 148).

## The application of microfoundations to institutional theory

Microfoundations are to be understood as a “movement and way of thinking that has been spread across a broad array of macro theories” (Felin, Foss, & Ployhart, 2015, p. 577)—including institutional theory—rather than a theory in itself. This perspective recognizes that micro levels are affected by higher-level structures and vice versa and, consequently, help to explain heterogeneity in institutional outcomes (Zucker & Schilke, 2019). From this point of view, microfoundations form the foundation of institutional theory and underlie the development of stronger and improved theorization (Haack et al., 2019), for at least three reasons. Firstly, sociologist Coleman (1994) argues that explaining macro phenomena in terms of macro phenomena (macro-level explanations) cannot rule out potential alternative explanations because there is a fundamental problem of unobserved lower-level factors (see also: Abell, Felin, & Foss, 2010). Secondly, and concomitantly, macro-level constructs might simply be a by-product of lower-level antecedents rather than being explanatory variables (Felin et al., 2015). Indeed, scholars argue that a process of institutionalization—for instance, the reproducing of organizational practices—may manifest itself at a different (lower) level than can be observed (Colyvas & Powell, 2009; Friedland & Alford, 1999; Jepperson & Meyer, 2011). Thirdly, microfoundations may help to “avoid explanatory black boxes” (Felin et al., 2015, p. 589). That is to say, collective constructs can inherently be deconstructed to understand their underlying constituents (see also Hedström & Ylikoski, 2010). For instance, individuals are the underlying constituents of organizations and citizens the underlying constituents of communities. Given these arguments in favor of microfoundations, institutional research has started to look at the microfoundations of institutional logics (Thornton, Ocasio, & Lounsbury, 2012) and has introduced more micro-level constructs such as “institutional work” (Lawrence, Suddaby, & Leca, 2009).

Despite these arguments in favor of integrating microfoundations into institutional theory, scholars have raised some serious concerns about this perspective. Firstly, some have suggested that a sole focus on microfoundations could simply send macro disciplines astray (Jacobides & Winter, 2012) by denying macro-to-macro relationships. In support, Jepperson and Meyer (2011) argue that institutional explanations do not automatically require the inclusion of micro-level factors because they see macro-mechanisms as the foundation of institutional theory (see also Meyer, 2019). That is to say, the initial motivation of institutional theory was to understand the macro and environmental contexts in which organizations and individuals operate. Secondly, microfoundations are associated with the problem of infinite regress. In search of the fundamental level of analysis, the individual level is regarded as the “natural stopping point” (Barney & Felin, 2013, p. 147). As institutional theorists have questioned the primacy of the individual as an actor (Jepperson & Meyer, 2011; Meyer, 2008, 2010), individual-level theorizing may conflict with institutional thinking. Thirdly, scholars have argued that microfoundations simply encourages the introduction of micro-theories—such as in the psychology field from the associated behavioral literature (Felin, 2012)—that would appear to be less suitable in providing macro-level explanations (Barney & Felin, 2013; Felin et al., 2015; Hwang & Colyvas, 2019). Fourthly, microfoundations explicitly attempt to understand collective concepts by emphasizing the



individual level of analysis (Felin et al., 2015), whereas context is merely assumed or implied (Johns, 2006). Here, no recognition is given to downward causation from the context to individuals (Jones, Lee, & Lee, 2019; Lizardo, 2019). Yet, there have been robust institutional studies that have mitigated these criticisms, at least to some extent. For instance, there are research efforts that have recognized the reciprocity of micro- and macro-level constructs in studying institutional change (Smets, Morris, & Greenwood, 2012) and the construct of institutions itself (Gray, Purdy, & Ansari, 2015).

Based on this discussion, we contend that microfoundations can make a serious contribution to institutional theory. However, theorists should be careful not to over-emphasize micro-level factors and mechanisms in pursuit of institutional explanations, and they should critically assess when theorizing can benefit from it. Hence, emphasizing microfoundational studies could ‘psychologize’ institutional research and push theorization away from its roots. Therefore, it is the question of establishing the “criterion for whether it is worthwhile to theorize at lower levels is whether it makes the theory at the higher level better, not whether lower-level theorizing is philosophically necessary” (Stinchcombe, 1991, p. 367). We posit that microfoundations can be especially fruitful for institutionalization, such as different meanings represented by a handshake compared to a bow (Jepperson, 1991) or organizational practices (Martin, 2003). Put differently, institutional theory could benefit from embedding microfoundations in a larger conversation on multi-level research (see also Steele, Toubiana, & Greenwood, 2019; Zucker & Schilke, 2019). In the following sections, we will discuss three approaches to microfoundational research and connect this to institutional theorization in order to further substantiate our position.

## Three interpretations of microfoundations and institutional theory

Following the work of Felin et al. (2015, p. 586), there are two interpretations of microfoundations. A third interpretation of microfoundations by Haack et al. (2019) was introduced later. Firstly, the “microfoundations call for the explanatory primacy of individuals” interpretation and, secondly, the “microfoundations as levels” argument. The former is more contestable than the latter since it suggests that institutional explanations are rooted in individual considerations (see Barney & Felin, 2013). That is to say, the basic notion is that any collective phenomenon, in stronger and weaker forms (Udehn, 2002), can be understood by individuals and their interaction; this is termed methodological individualism (Weber, 1978). From this perspective, scholars have taken individuals’ beliefs, preferences, framing, and actions as a starting point to understand institutional change (Powell & Colyvas, 2008). For instance, numerous studies perceive strong ties between individual day-to-day practices and institutions (Powell & Colyvas, 2008; Smets, Aristidou, & Whittington, 2017; Smets & Jarzabkowski, 2013; Smets et al., 2012). Similarly, other scholarly works concentrate on social interactions among individuals—such as drawing on discourse (Phillips, Lawrence, & Hardy, 2004) and rhetoric (Suddaby & Greenwood, 2005)—in explaining how institutions are constructed (Lok, Creed, & DeJordy, 2019). Finally, other scholars relate more cognitive constructs such as sensemaking (Brandl, Dreher, & Schneider, 2019), motivation (Hallett, 2010), and identity (Glynn & Innis, 2019) to institutionalization. These studies base the explanatory narrative on institutional change and the individual actor and, therefore, implicitly give explanatory supremacy to the level of the individual (see Felin et al., 2015). However, these studies do not ascribe an overly heroic role to individuals as single institutional change agents. As discussed previously, this is a concern in accounts of institutional entrepreneurs and institutional

work (Hardy & Maguire, 2017; Levy & Scully, 2007). Rather, these studies suggest that individual actors may “carry” and enact institutions (Scott, 2008) rather than actually change or create them. From these works, we can clearly distill a reciprocal relationship between institutions and individual actors.

The second interpretation is the “microfoundations as levels” argument (Felin et al., 2015, p. 586). This perspective places the explanatory cause of an (institutional) phenomenon on a level lower than the phenomenon itself. Put differently, Felin (2012, p. 1355) defines this perspective as a “(…) theoretical explanation, supported by empirical examination, of a phenomenon located at analytical level  $N$  at time  $t$  ( $Nt$ ). In the simplest sense, a baseline micro-foundation for level  $Nt$  lies at level  $N - 1$  at time  $t-1$ , where the time dimension reflects a temporal ordering of relationships with phenomena at level  $N-1$  predating phenomena at level  $N$ . Constituent actors, processes, and/or structures, at level  $N-1_{t-1}$  may interact, or operate alone, to influence phenomena at level  $Nt$ . Moreover, actors, processes, and/or structures at level  $N-1_{t-1}$  also may moderate or mediate the influence of phenomena located at level  $Nt$  or at higher levels (e.g.  $N+1_{t-1}$  to  $N+n_{t+n}$ ).” Importantly, this perspective does not claim individual supremacy in explaining higher-level institutional phenomena. Rather, explanatory power is ascribed to any lower-level actor—including organizations (King et al., 2010)—and not necessarily the individual (see also Felin et al., 2015; Teece, 2007). It does not take the view that agency and structure cannot be consistently mapped into macro and micro dimensions (Harmon, Haack, & Roulet, 2019). Rather, it recognizes that there are macro instances of agency, such as social movements (Gamson, 1991), and micro instances of structures, such as habits and routines (Bourdieu, 1990). Thus, institutions are regarded as nested systems that are structured and have different levels of analysis (Holm, 1995; Jepperson & Meyer, 2011). In addition to the micro–macro dichotomy, scholars have argued in favor of including intermediate levels in this layered institutional ontology—for instance, by incorporating intermediate-level public, administrative, and legal domains into institutional analysis (Bitektine & Nason, 2019). The number of these intermediate meso-level factors can be potentially large and may include communities (Marquis & Lounsbury, 2007) and organizational fields (Greenwood et al., 2002; Strang & Meyer, 1993). Consequently, micro, meso, and macro are relative terms because any actor is always micro to something and meso or macro to something else. Therefore, importantly, this perspective suggests making explicit what constitutes micro, meso, and macro and rationalizing why a level should be granted analytical primacy (Harmon et al., 2019). Recently, Keller (2019) concentrated on explaining how the micro level (individual actors) contributes to broader macro-level processes (see also Harmon, 2019; Lefsrud & Vaara, 2019). These studies suggest that portraying institutions as nested systems offers an important analytic starting point to understand how institutional phenomena affect the micro context and how the dynamics and interactions coalesce on the macro level (Haack et al., 2019; Jones et al., 2019).

It could be argued that the “microfoundations as level” perspective has similarities with recent calls for multi-level research and modeling in institutional theory. Institutional research has introduced and studied various analytical levels, such as individuals (Scott, 2001), organizations (Powell, 1991), communities (Marquis, Glynn, & Davis, 2007), and organizational fields (McAdam & Scott, 2005). There have been numerous institutional works that have attempted to connect the analytical levels. For instance, it is claimed that the concept of “institutional work” connects individuals and institutions (Lok, Creed, DeJordy, & Voronov, 2017) and, for others, “institutional logics” links communities and institutions (Lee & Lounsbury, 2015; Lounsbury, 2007; Marquis & Lounsbury, 2007). In contrast to studies based on “microfoundations as levels”, we follow the work of Felin et al. (2015) in suggesting that multi-level approaches to institutional theory are different in two principal ways. Firstly, the multi-level approach is relatively silent about the potential

directionality of causal pathways—namely, top down or bottom up (Kozlowski & Klein, 2000). In contrast, however, the microfoundations perspective does recognize reciprocal micro–macro relationships. Thus, the microfoundations perspective would appear to be more useful in institutional theory since institutional theorists have established bi-directional relationships between lower-level actors and the institutional context (Bitektine & Haack, 2015; Gray et al., 2015; Weber & Glynn, 2006). Secondly, the multi-level approach is relatively agnostic about what level constitutes the most appropriate in institutional analysis. This perspective thus enables the development of models that acknowledge that institutions are nested and comprise multiple levels of analysis (Jepperson & Meyer, 2011). In this view, it is an empirical question of what level constitutes “micro” and “macro”, depending on the institutional phenomenon at hand. Therefore, this perspective could well avoid the pitfall of reductionism in institutional theory that is said to limit the development of a holistic multi-level understanding of institutions (Hwang & Colyvas, 2019; Powell, 2019; Steele et al., 2019).

The third interpretation depicts microfoundations as causal mechanisms—“theoretical explanations of why focal phenomena or effects occur” (Davis & Marquis, 2005, p. 336). Studies that follow this approach do not always portray mechanisms as crossing analytic levels but concentrate on micro–micro relationships, such as studies focusing on the imprints of institutions on individuals (Burton, Sørensen, & Beckman, 2002; Dokko, Wilk, & Rothbard, 2009; Higgins, 2005). However, numerous studies connect the “microfoundation as mechanism” argument with the levels arguments discussed previously. Studies in this vein are distinct from those with a “microfoundations as levels” approach because these studies often fail to “unambiguously identify relevant mechanisms” (Haack et al., 2019, p. 22) through which micro affects macro and vice versa. There are three types of mechanism identified in the literature (see Hwang & Colyvas, 2019; Weber & Glynn, 2006). Firstly, there is a situational mechanism through which macro institutions modify the beliefs, assumptions, and values of actors at the micro level. This mechanism, therefore, instigates macro–micro or “top-down” transitions. The second type is an action formation mechanism through which the aforementioned beliefs, assumptions, and values instigate actions and practices on the micro level (micro–macro transition). The final category is a transformational mechanism through which these actions and practices ascend and coalesce into shifts in the “taken-for-granted” beliefs on the macro level (Mizruchi & Fein, 1999). This mechanism can be thought of as micro–macro or “bottom-up” transitions (for a detailed description of the mechanisms, see Hedström & Ylikoski, 2010). Considering the cross-level interactions

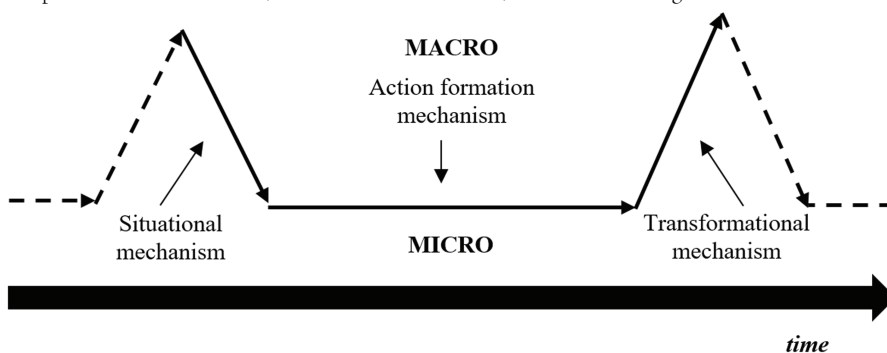


Fig. 1.1 Adjusted 2.0 “Bathtub” model, Coleman (1994)

between levels, institutional theorists often refer to the Coleman (“bathtub”) model (Coleman, 1994), which is depicted in Figure 1.1 This representation has been slightly adjusted from the original by (a) depicting the microfoundational mechanisms, and (b) incorporating a temporal element. Following

the approach of “flow models” (Barley & Tolbert, 1997; Phillips et al., 2004), the model suggests that macro-level antecedents over time instigate macro-level outcomes in the form of institutional change.

## **Toward a new multi-level theory of institutional change**

Admittedly, institutional theorists have started to conceptualize institutional processes as inherently multi-level (Bitektine & Haack, 2015). However, the issue of levels and level interactions have received scarce attention despite several calls from academia (Felin et al., 2015; Jepperson, 1999; Powell & Colyvas, 2008). The challenge in advancing this research is to recognize that micro-level institutional mechanisms “can take on complex forms and lead to surprising aggregate and emergent outcomes that are hard to predict based on knowledge of the constituent parts” (Barney & Felin, 2013, p. 141) rather than simply be additive in terms of macro-level institutional effects. Using our previous discussion as the starting point, we develop a multi-level theory of institutional change by adopting and extending Coleman’s (1994) “bathtub” model of social change.

Following the recommendations of Felin and Foss (2019) and Haack et al. (2019), we adopt a “minimal” view of the microfoundations of institutions. That is to say, we posit that a microfoundational approach to institutional theory can be significantly advanced by applying the “microfoundations as levels” and “microfoundations as mechanism” perspectives discussed in the preceding section (Weber, 2006; Weber & Glynn, 2006). Combining these perspectives, the institutional theory may benefit from (a) understanding institutions as nested systems and (b) identifying causal mechanisms of institutional outcomes. Therefore, we gain an understanding of how institutional processes take place in the micro-level context and how such interactions and dynamism coalesce in institutions at the macro level and vice versa (Jones et al., 2019). In addition, Haack et al. (2019) argue compellingly that such representation and analysis of institutional phenomena could make otherwise complex and abstract macro-level constructs more tangible and assessable—for example, institutional logics (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Admittedly, we agree with institutional scholars who argue that studies giving analytic primacy to individuals ascribe too little significance beyond the immediate context (Haack et al., 2019). However, we do recognize the reciprocal relationship between individual actors and institutions that has been advanced by studies in this vein—that is, those that have taken the “microfoundations as individual actor primacy” perspective. We argue that institutional theory is in a position to benefit from research centered on two main themes. The sections that follow elaborate on these themes and formulate a number of propositions.

### ***Theme 1: research portraying institutions as nested systems***

Portraying institutions as layered systems is often understood in spatial terms. That is to say, the lower micro levels comprise actors or entities of smaller spatial size (e.g., an organization), whereas higher macro levels represent a large scale or collective of lower-level entities (e.g., an institutional field) (Haack et al., 2019; Jepperson & Meyer, 2011). Institutional theory has concentrated overwhelmingly on levels of analysis concerning organizations and organizational fields (Powell & Colyvas, 2008; Schneiberg & Clemens, 2006) and macro-level actors such as society (Schneiberg & Clemens, 2006). Yet, as other scholars have stated, there are potentially numerous intermediate “meso” levels between these micro–macro levels (Holm, 1995; Jepperson & Meyer, 2011). However,

we posit that scholars should avoid simply adding intermediate meso-level variables to institutional-phenomena explanations because this can seriously distort institutional theory and its conceptual clarity (Suddaby, 2010). Indeed, scholars have asserted the need for clarity on what constitutes micro, meso, and macro if institutional theory is to benefit from a microfoundational perspective (Harmon et al., 2019). Considering the adjusted “bathtub” model (Coleman, 1994) presented in Figure 1, we could envisage the existence of a meso level that affects the “top-down” transition from macro to micro and the “bottom-up” transition from micro to macro (see Hedström & Ylikoski, 2010; Mizruchi & Fein, 1999). Consequently, to contribute to the explanatory power of institutional theory, the included meso level should open the “black box” on how macro-level “taken-for-granted” beliefs transform micro-level beliefs, values, and assumptions and vice versa. Put differently, the meso level could explain heterogeneity within the micro level while being embedded in the same macro level (see also Felin & Foss, 2019). In less abstract terms, the meso level could explain heterogeneity in organizations’ response (micro level) to institutional pressures (macro level). We argue that institutional theory would benefit enormously from defining the meso level in geographic, spatial terms (see also Marquis & Battilana, 2009).

Institutional theorists have related geographic localities to organizational behavior, such as non-profit giving (Galaskiewicz, 1997), board-of-director structures (Kono, Palmer, Friedland, & Zafonte, 1998; Marquis, 2003), corporate governance practices (Davis & Greve, 1997), social actions (Marquis et al., 2007; Molotch, Freudenburg, & Paulsen, 2000), and professionalization (Lounsbury, 2007). While debate still continues on what constitutes a geographical locality, we follow Marquis and Battilana (2009, p. 286) in defining localities “as a local level of analysis corresponding to the populations, organizations, and markets located in a geographic territory and sharing, as a result of their common location, elements of local culture, norms, identity, and laws”. Numerous studies have concentrated on explaining local effects on organizations (see Marquis & Battilana, 2009). They have found that the local political environment (Guthrie & McQuarrie, 2005b), shared norms (Marquis et al., 2007; Marquis & Lounsbury, 2007), and local frames of reference (Davis & Greve, 1997; Lounsbury, 2007; Marquis, 2003) exert a profound impact. In particular, these studies have portrayed localities as the macro level from which pressures arise that, in turn, influence organizations at the micro level in a top-down fashion. While we recognize the importance of local pressures on organizations, it is empirically interesting to consider localities as the intermediate level (meso level) between the societal and organizational levels—the macro level and the micro level, respectively. In other words, scholars have argued that organizational actors are simultaneously embedded in multiple environments of which the local level is just one (Battilana & D’Aunno, 2009; Friedland & Alford, 1991; Reay, Golden-Biddle, & Germann, 2006; Strang & Sine, 2002). Thus, organizational actors are likely to face institutional pluralism because they are embedded and exposed to different institutional spheres (Friedland & Alford, 1991; Kraatz & Block, 2008) that can be competing (Marquis & Lounsbury, 2007). In this vein, scholars have mostly concentrated on the organizational field level (Battilana, 2006; Hinings, Logue, & Zietsma, 2017) but relatively scant attention has been devoted to the simultaneous embeddedness of organizations in local and societal environments (for exceptions, see Greenwood, Díaz, Li, & Lorente, 2010; Lee & Lounsbury, 2015). However, these studies can make a serious contribution to institutional theory by explaining the dynamism of institutional change (Battilana, Leca, & Boxenbaum, 2009) and heterogeneity among organizational actors (Lounsbury, 2007).

## ***Theme II: research opportunities in cross-level causal mechanisms of institutional outcomes***

The microfoundational approach distinguishes different types of causal “mechanisms” or influences, which are (a) situational mechanisms, (b) action formation mechanisms, and (c) transformational mechanisms (see Figure 1.1). We argue that the situational and transformational mechanisms, in particular, could benefit from additional research and theorizing to further strengthen the explanatory power of institutional theory.

Firstly, the causal influences of situational mechanisms flow from the macro to the micro level, which are individual actors such as organizations. Scholars have argued that “[t]he individual actor is exposed to a specific social situation and this situation will affect him or her in a particular way” (Hedström & Swedberg, 1998, p. 23). There are different macro-level institutional set-ups or governance mechanisms that create these situations and have a downward causal effect on the “situations” in which individual actors are placed. Traditionally, institutional theorists portrayed institutional pressures on the macro level as impacting organizational behavior on the micro level, in a top-down fashion (DiMaggio & Powell, 1983; Fiss & Zajac, 2006; Fligstein, 1991; Gunningham & Johnstone, 1999; Gunningham, Kagan, & Thornton, 2003; Meyer & Rowan, 1977; Mizruchi & Fein, 1999; Oliver, 1991; Paternoster & Simpson, 1996). However, more recently, institutional scholars have suggested that macro-level institutional pressures do not automatically and uniformly translate into organizational behavior on the micro level but rather underlie heterogeneity and how it is manifested (Arshed, Mason, & Carter, 2016; Powell & Colyvas, 2008). That is to say, these scholars recognize that sensemaking in day-to-day confrontations with institutional pressures underlies organizational behavior in response to institutional pressures and, in turn, institutional change (Powell & Rerup, 2017; Smets et al., 2012). Others argue that the organizational response to institutional pressures relates to an organization’s judgment on the legitimacy of the pressure (Bitektine & Haack, 2015; Suddaby, Bitektine, & Haack, 2017; Tost, 2011) by drawing on validity cues from the environment (Huy, Corley, & Kraatz, 2014). Following these studies, we posit that situational mechanisms—namely, macro–micro causal influences—are not strongly deterministic but rather are influenced by an organization’s enactment on cues from the environment (see also Felin & Foss, 2019; King et al., 2010). We posit that the institutional logic perspective (Friedland & Alford, 1991) could help to advance our understanding of situational mechanisms by defining “environmental cues”. The argument is that logics stipulate prescriptions or validity cues (for a literature review, see Greenwood et al., 2011), to which micro-level actors weigh institutional pressures. For instance, Greenwood et al. (2010) found that institutional logics in Spain explained heterogeneity in the organizational response to macro-level regulations enabling workforce downsizing (see also Lee & Lounsbury, 2015). Indeed, there have been calls to include the institutional research (McPherson & Sauder, 2013; Swidler, 1986; Thornton et al., 2012) to shed light on causal mechanisms.

Institutional logics are “the socially constructed, historical patterns of cultural symbols and material practices, assumptions, values, and beliefs by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their daily activity” (Thornton & Ocasio, 1999, p. 804). In contrast to the claims of neo-institutional theorists that there is an isomorphic organizational response to institutional pressures (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2008), institutional logics are associated with organizational heterogeneity (Kraatz & Block, 2008; Ocasio & Radoynovska, 2016). However, shared commitments to institutional logics among organizations will result in comparable organizational responses to institutional pressures. The institutional logics perspective has theorized that institutional logics operate on

various analytic levels including society (Friedland & Alford, 1991; Thornton, 2004), organizational fields (Greenwood et al., 2011), and geographical localities (Marquis & Battilana, 2009; Thornton & Ocasio, 1999). Thus, actors are embedded in a context of institutional pluralism where institutional logics can be more or less complementary (Kraatz & Block, 2008) or competing (Greenwood et al., 2011) and can effect an organization's response to institutions (Lok, 2010; Lounsbury & Boxenbaum, 2013; Pache & Santos, 2010; Smets, Greenwood, & Lounsbury, 2015). Theoretically, organizations could face cross-level tensions as institutional logics operate on multiple levels (Ocasio, Thornton, & Lounsbury, 2017). However, limited attention has been given to how cross-level tensions affect organizational fields, organizations, and social interactions (Thornton et al., 2012). Accordingly, multiple studies have made the call to embrace multiple-level theorizing of institutional logics (Davis & Marquis, 2005; Swedberg, 2014) to explore the organizational response to macro-level institutions and, consequently, contribute to situational mechanism theorizing (Greenwood et al., 2010; Lee & Lounsbury, 2015). We therefore recognize that situational mechanisms can comprise multiple paths through which the macro level affects the micro level (see also Fiss, 2007; Kozlowski & Klein, 2000).

The action formation mechanism refers to micro–micro relations between “a specific combination of individual [actor] desires, beliefs, and action opportunities [that] generate a specific action” (Hedström & Swedberg, 1998, p. 23). This mechanism has received a great deal of academic attention, in particular by scholars in the psychology domain studying the micro–micro relation of individual characteristics and action/behavior (for a literature review, see Felin et al., 2015). For instance, recently Hu and Rerup (2019) have studied how and under what conditions the public becomes engaged and willing to take action through the micro processes of sensemaking (see also: Giorgi, 2017; Giorgi & Weber, 2015; Snow, Rochford Jr, Worden, & Benford, 1986). As argued previously, organizations can also be considered micro-level actors. However, organizations have been somewhat neglected in microfoundational explanations of institutional phenomena (King et al., 2010). Scholars have called for microfoundational studies that define organizations as social actors and root their behavior in value-related factors—namely, beliefs, opinions, and information (Felin et al., 2015; Greenwood et al., 2008). Neo-institutional studies have claimed that organizational behavior is driven by economic benefit, at least for the early adopters of certain behaviors—that is to say, practices, innovations, et cetera. Later adopters simply follow without critical evaluation because the practice has become taken for granted (Davis, Diekmann, & Tinsley, 1994; Westphal, Gulati, & Shortell, 1997; Zajac & Westphal, 2004). Several criticisms have been mooted against this position, the foremost of which is that organizational decisions almost always involve some degree of translation and editing (Czarniawska-Joerges & Sevón, 2005; Czarniawska & Sevón, 2011; Djelic, 2001; Sahlin-Andersson, 1996). In response, institutional scholars have developed more nuanced models of organizational behavior (Chandler, 2014; Kraatz & Block, 2008) by deducing (but not excluding) the effect of the structural determinism of institutions. For instance, Chandler and Hwang (2015) drew on learning theory in developing a model of organizational decisions to adopt practices, suggesting that organizational behavior is “not fully adaptive nor fully constrained” (p. 1469). To the best of our knowledge, all of these models, to a greater or lesser extent, recognize that organizational behavior is partially embedded in its environment (for a review, see Micelotta, Lounsbury, & Greenwood, 2017). In particular, these studies suggest that organizational behavior is the result of responses to the complexity within their operating environment (Lounsbury, 2008). Thus, complexity offers organizations agency in their behavior while being guided by institutional logics (Greenwood, Hinings, & Whetten, 2014; Greenwood et al., 2011; Thornton et al., 2012). Microfoundational perspectives on organizations as actors could, therefore, incorporate the environmental complexity an organization faces in all its facets (Voronov & Yorks, 2015) to explain

organizational behavior—that is to say, the relationship between the organization and its behavior.

Finally, the transformational mechanism concerns the process through which micro-level actions and interactions “scale up” and transform macro-level constructs, such as institutions and expectations (see Haack et al., 2019). This mechanism acknowledges the existence of a reciprocal relationship between macro-level and micro-level constructs, where the macro affects the micro and also vice versa (Bitektine & Haack, 2015; Gray et al., 2015; Weber & Glynn, 2006). There are, however, relatively few studies that have concentrated on how micro-level actions coalesce into shifts within macro-level constructs (Meyer, Jancsary, Höllerer, & Boxenbaum, 2018). One exception is Bitektine and Nason (2019) who found that individual actors’ judgments follow a process of validation among meso-level public, administrative and legal domains before changing perceptions within the general institutional environment on the macro level. Again, we posit that the institutional logic perspective can contribute to these micro–macro institutional explanations by theorizing the transformational mechanisms. Interestingly, Furnari (2019) draws on the work of Thornton et al. (2012) to argue that micro-level actors “activate” selected aspects of the institutional logic in which they are socialized depending on their situational embeddedness. It is argued that actors activate the logics in those situations where there is a “situational fit” between the cultural knowledge embodied in logics and the salient aspect of the situation. While there are criticisms concerning the robustness of the “situation construct” and its capacity to be analytically captured (Chater et al., 2018; Funder, 2016; Rauthmann, Sherman, & Funder, 2015), we posit that micro-level actors encounter issues through the activation of logics in which they are socialized—namely, by social interactions within communities (Almandoz et al., 2017). Indeed, studies have shown that collectives of actors’ problematizing and acting upon issues are rooted in their carried institutional logics (Thornton & Ocasio, 1999). We extend this argument by claiming that the collective response of actors to issues may trickle up to reproduce or change institutions (see also the Collective Action Model of institutional change: Hargrave & Van de Ven, 2006). For instance, organizational actors, while institutionally embedded, can adopt practices that have the potential to destabilize institutions (Barley & Tolbert, 1997; Lawrence & Suddaby, 2006). Moreover, Smets et al. (2012) showed that new organizational practices gradually “moved up” and changed institutions. In our view, this point can best be illustrated by referring to the social movement literature. Social movements are collectives of actors who, by drawing on their normative frames, are dissatisfied with the status quo and take action to provoke institutional change (Stryker, Owens, & White, 2000). The only difference with our situation is that social movements intend institutional change, while our argument considers institutional change as merely a natural and coincidental consequence of micro-level processes.

### ***Theme III: research opportunities in macro–macro causal mechanisms of institutional outcomes***

We agree that institutional theory could benefit from the microfoundational perspective (Harmon et al., 2019)—in particular, by following the directions set in our developed propositions. To our best intentions, we have developed research themes that could mitigate criticisms of the microfoundational approach: (a) infinite regress (Barney & Felin, 2013), (b) introduction of micro theories from the associated behavioral literature on psychology (Felin, 2012), and (c) neglecting the immediate context of institutional actors (Jones et al., 2019; Lizardo, 2019). We do not give analytic primacy to individual actors in explaining institutional phenomena but rather address the mechanisms through which the macro affects the micro and vice versa. We recognize the immediate context of actors by drawing on the institutional logic perspective. Despite our intentions, we were unable to mitigate



one remaining criticism, which integrates microfoundation thinking into institutional theorizing. This is related to the concern that the microfoundational perspective would push macro disciplines away (Jacobides & Winter, 2012) and, therefore, disregard the macro mechanism of institutional theory that has been considered foundational (Meyer, 2019). From a microfoundational perspective, a macro explanandum and macro explanans do not constitute an adequate scientific explanation of institutional phenomena because there are no “appeals to actors or underlying mechanisms” (Felin et al., 2015, p. 591). However, scholars argue that macro–macro relationships can be made sense of by referring to individual actors, their relationships, and their actions (Coleman, 1994; Hedström & Swedberg,

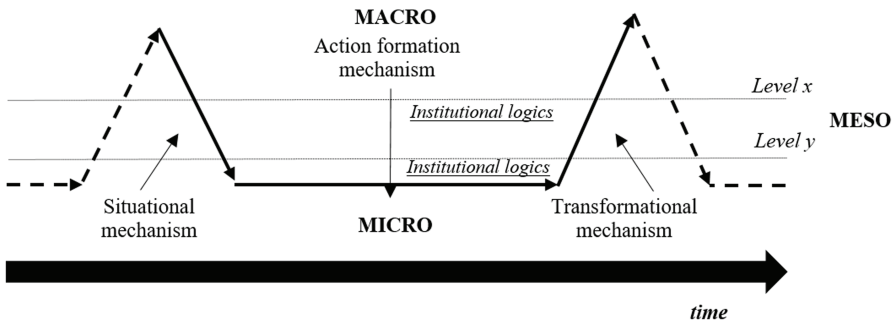


Fig. 1.2 Adjusted “Bathtub” model Coleman (1994)

1998; Hedström & Ylikoski, 2010). In other words, in microfoundational accounts of institutional theory, there is room for macro–macro relationships (Felin & Foss, 2019) that can be interpreted through the three mechanisms introduced earlier (Felin et al., 2015; Hedström & Ylikoski, 2010).

Based on our discussion, we adapted the Coleman “Bathtub” model—specifically, by incorporating the meso level into the model as depicted in Figure 1.2.

## Research questions and studies

The foregoing discussion suggests that explanatory accounts of institutional phenomena could benefit from adding a microfoundational perspective to institutional theory. Based on a literature review, we formulated possibilities and areas within institutional theory that could benefit from further microfoundational study. Boundary conditions were also discussed. Our main research question driving this dissertation is, therefore:

*“How can the microfoundational perspective on institutional theory advance explanations of institutional phenomena?”*

To answer the main research question, we conducted four studies. These studies and their empirical context, methods, and contributions are introduced below.

Study 1 concentrates on explaining organizational adoption of inclusive practices—practices that enable the inclusion of people with disabilities, which we define as CSR in different configurations of institutions. Specifically, the configuration of institutional domains includes (a) capital, (b) labor, (c) the state, and their underlying attributes. A cross-national longitudinal study captures data on twenty-two European countries in the period from 2007 to 2014. We used the fuzzy-

set Qualitative Comparative Analysis (fsQCA) method to find institutional paths that lead to high CSR. To the best of our knowledge, we are one of the first to assess the robustness of these institutional paths over time by using the “general approach for set-theoretic research” (Castro & Ariño, 2016). This study addresses the research opportunities formulated in Theme III. That is to say, we explain and interpret macro–macro relationships (Felin & Foss, 2019) through the microfoundational mechanisms called for (Felin et al., 2015; Hedström & Ylikoski, 2010). In particular, we show how configurations of institutions impact CSR practices aggregated to the macro level, by stipulating a situational mechanism. The study found two pathways through which institutions affect the adoption of CSR and suggests an investigation of multiple contexts to further strengthen its theoretical base.

Study 2 focuses on explaining the effects of interactions in a contested domain between three main institutional actors: (a) activists, (b) industry, and, (c) the state on regulative institutions—policy content. We explore under what conditions institutions allow interactions between institutional actors and the effects of those interactions in scaling up and changing macro-level regulations. The cross-national and longitudinal study is conducted in the highly contested tobacco domain (Hsu & Grodal, 2015; Simons, Vermeulen, & Knobens, 2016). It forms an ideal context to study bottom-up transitions on institutions as fierce contention among institutional actors can be expected (Durand & Vergne, 2015; Vergne, 2012). We studied how the strictness of tobacco policies is affected by activists, the tobacco industry, and opportunities provided by the state, in twenty-one European countries between 1980 and 2012. This study implements several research themes described in the previous section. Firstly, we establish a connection with Theme I by portraying institutions as nested systems (Bitektine & Haack, 2015) and studying how contention among lower-level actors impacts macro-level institutions. Secondly, we follow the directions set in Theme III by studying the process through which interactions “scale up” and transform macro-level constructs (Haack et al., 2019)—that is, the microfoundational transformational mechanism. Our findings show that institutional actors do not impact macro-level institutions in a straightforward fashion. Furthermore, the study proposes the juxtaposing of institutional actors—activists, industry, and state—in one model to expose the pathways through which macro-level (regulative) institutions are affected.

Study 3 concentrates on how the context of organizations explains the response to macro-level institutional pressures. This study looks at the different levels of complexity that organizations face as a result of discrepancies between institutional logics operating on multiple hierarchical levels—namely, the societal and regional levels. The study analyzes 17,218 organizations embedded in all 40 regions of The Netherlands between 2008 and 2014. In particular, the study aims to explain whether organizations’ adoption of inclusive practices in response to macro-level institutional pressures is explained by different constellations of institutional logics. Thus, the study speaks to several research themes that were introduced in the previous section. Firstly, we portray institutions as nested systems and introduce meso-level intermediaries—namely, the geographical localities called for (Marquis & Battilana, 2009). Secondly, following the directions formulated in Theme II, we embrace multiple-level theorizing of institutional logics (Davis & Marquis, 2005; Swedberg, 2014) to study organizations’ response (behavior) to the macro level. In doing so, we contribute to action mechanism theorizing (Voronov & Yorks, 2015). The study’s findings suggest that complexity within an organizations’ operating environment can explain its behavioral response to institutional pressure—namely, by adopting inclusive practices. However, this is not necessarily always the case or straightforward. Our study advocates the incorporation of the relative strength of institutional pressures into the analysis to fortify theorizing on action formation mechanisms in institutional theory.

Finally, Study 4 explores how the shared norms among communities—that is, community logics—impact organizational behavior in response to institutional pressures and also shape those institutional pressures. We study the adoption of inclusive practices in 244 Dutch municipalities that we define as communities, over a four-year period. Furthermore, we explore how the municipalities' translation of central government regulations into local policies is influenced by community logics. Consequently, Study 4 extends the findings of Study 3—, that is to say, moderating the role of logics in organizational behavior in response to institutional pressures by analyzing whether institutional pressures in themselves are shaped by logics. This study implements the directions set out in Theme I and Theme II. Firstly, institutions are portrayed as nested systems to find cross-level explanations for micro-level phenomena. We introduce the community as the meso level (Marquis & Battilana, 2009) to study how macro-level institutional pressures are filtered and how they affect local regulative institutions and organizational behavior. Therefore, we not only study the microfoundations' situation formation mechanism but also the transformational mechanisms (Theme II). Our findings do not show that community logics affect transformational mechanisms, at least not in terms of changing local institutions. We did find, however, that community logics can act as a situation formation mechanism as suggested in Theme II. Thus, explanations of organizational behaviors in response to institutional pressures seem not to be decoupled from the intermediate environment of organizations.

Table 1.1 presents a schematic overview of the studies and chapters of this dissertation. We indicate which themes (Theme I, II, or III) the chapters/studies address and, consequently, how they contribute to answering the dissertation's main research question. Furthermore, we indicate the main theoretical constructs, empirical contexts, and methods of the chapters/studies.

## Outline of the dissertation

The dissertation is paper based and includes four studies, which are presented as four chapters and are followed by a final chapter that encapsulates the overall discussion of the dissertation. The scientific studies are in their original form, and only their layout and numbering have been adapted. In Chapter 2, we investigate the situational formation mechanisms that result in high CSR through a cross-national study across European countries. In Chapter 3, we portray institutions as nested systems and assess how regulative institutions are shaped by contention among three institutional actors. The chapter is based on a cross-national and longitudinal study conducted in European countries. Chapter 4 concentrates on situation formation mechanisms and uses the concept of institutional logic to study organizational behavior in response to institutional pressures. The chapter rests on a cross-regional study in The Netherlands. Chapter 5 addresses situation formation and transformational mechanisms using the institutional logic perspective. This entails a cross-community and longitudinal study in The Netherlands. The conclusion and discussion are presented in Chapter 6.

Table 1.1 Overview of the Chapters

	Constructs	Methods	Empirical Context	Theme I			Theme II		Theme III
				Layered institutional system	Intermediate “meso” level	Situational mechanism	Action formation mechanisms	Transformational mechanism	
<b>Chapter 1</b> <i>Introduction</i>	Microfoundations Institutional Theory	Literature Review	n.a.	X	X	X	X	X	X
<b>Chapter 2</b> <i>Study 1</i>	Institutions Corporate Governance CSR	Quantitative: fsQCA	Cross-national European countries; CSR			X			X
<b>Chapter 3</b> <i>Study 2</i>	Regulative Institutions Social movement Corporate Political Action	Quantitative: Panel Random- Effects Negative Binomial Regression	Cross-national European countries; to hacco legislation					X	
<b>Chapter 4</b> <i>Study 3</i>	Institutional logics Institutional complexity	Quantitative: Logistic Regression	Cross-regional The Netherlands; inclusion of people with disabilities in labor market	X	X	X		X	
<b>Chapter 5</b> <i>Study 4</i>	Regulative Institutions Institutional logics	Quantitative: Machine Learning and Panel Random- Effects Regression	Cross-community The Netherlands; inclusion of people with disabilities in labor market	X	X	X		X	
<b>Chapter 6</b> <i>Discussion</i>	Microfoundations Institutional Theory	n.a.	n.a.	X	X	X	X	X	X





## **CHAPTER 2: Comparative corporate governance; country-level configurations of corporate governance mechanisms and CSR**

*The authors are Kuijpers, J.C., Ehrenhard, M.L., and Groen, A.J. This manuscript is prepared for submission to an international peer-reviewed journal. A preliminary version of this chapter was presented at the Academy of Management Conference 2019, Boston, United States.*

## CHAPTER 2: COMPARATIVE CORPORATE GOVERNANCE; COUNTRY-LEVEL CONFIGURATIONS OF CORPORATE GOVERNANCE MECHANISMS

Researchers have investigated how cross-national variation in corporate governance influences corporate social responsibility (CSR). Previous work has largely portrayed corporate governance working on organizations in isolation. Recent studies suggest that configurations of corporate governance practices result in a synergistic effect on organizations. That is to say, corporate governance mechanisms can act as complements or substitutes for each other in encouraging CSR. These studies, however, have concentrated mainly on the firm level and paid scant attention to national-level corporate governance arrangements and CSR. Using a panel sample of 22 European countries for the years 2007 to 2014, we found two configurations of corporate governance mechanisms that explain high CSR. In particular, we included three institutional domains in our analysis: (a) capital, (b) labor, and (c) the state, covering the wide range of corporate governance practices. Our findings suggest that similar levels of CSR can be achieved with different combinations of corporate governance practices. Using a configurational approach, we make contributions to the comparative corporate governance literature and practice.

### Introduction

Numerous works have studied corporate social responsibility (CSR) cross-nationally (Ioannou & Serafeim, 2012; Maignan & Ralston, 2002; Ramasamy & Ting, 2004; Welford, 2004). For instance, Maignan (2001) studied consumer perceptions of CSR in France, Germany, and the United States. She found that, in France and Germany, consumers value CSR to a greater extent than in the United States. Moreover, scholars have related CSR to a range of macro-level attributes, such as regulation and deregulation (Delmas, Russo, & Montes Sancho, 2007; Delmas & Tokat, 2005), industry self-regulation (Bansal & Hunter, 2003; King & Lenox, 2000), institutional change (Hoffman, 1999), institutional conditions (Russo, 2003), institutional work (Zietsma & Lawrence, 2010), social movement organizations (Lounsbury, Ventresca, & Hirsch, 2003) culture (Peng, Dashdeleg, & Chih, 2012) and a CSR climate (Aguilera, Rupp, Williams, & Ganapathi, 2007). While there is an ongoing debate on whether organizations should engage in actions that interfere with their wealth-generating function (Coelho, McClure, & Spry, 2003; Friedman, 1962), organizations face multiple pressures to engage in responsible behavior to fulfill broader social goals.

To date, however, limited academic attention has been given to the role of corporate governance on the variation in CSR among organizations (Jackson & Apostolakou, 2010; Stanwick & Stanwick, 1998) or its role across a broad set of countries (Habisch, Jonker, Wegner, & Schmidpeter, 2005; Jackson & Apostolakou, 2010; Jamali, Sidani, & El-Asmar, 2009). However, scholars do suggest that variation in CSR could be related to variation in corporate governance structures (Campbell, 2007; Maignan & Ralston, 2002; Margolis & Walsh, 2003). One exception is the work of Ioannou and Serafeim (2012), which relates CSR to corporate governance over a 42-year period. Although yielding relevant insights, the work (and related studies) suffers from several shortcomings. Recent studies advocate incorporating systematic interaction within corporate governance structures when exploring cross-national variation in organizational practices, such as CSR (see Haxhi & Aguilera, 2017; Surroca, Aguilera, Desender, & Tribó, 2020). Rather than working in isolation, the effectiveness of corporate

depends on the specific configurations of corporate governance practices (Rediker & Seth, 1995; Sundaramurthy, Mahoney, & Mahoney, 1997), which are likely to vary across countries (Greckhamer, Furnari, Fiss, & Aguilera, 2018; Haxhi & Aguilera, 2017). The effect of a certain corporate governance practice might be complemented or supplemented by another practice (Oh, Chang, & Kim, 2018). Although some studies have adopted this notion (Bell, Filatotchev, & Aguilera, 2014; Oh et al., 2018), they have focused primarily on the firm level and paid less attention to the country level (Misangyi & Acharya, 2014).

Empirically, in 22 European countries, we examine the inclusion of people with disabilities in mainstream work, which we consider an innovative CSR practice (Konig & Schalock, 1991; López Pino & Seco Martín, 2005; Monteleone & Mozzana, 2009; Segovia-San-Juan, Saavedra, & Fernández-de-Tejada, 2017; Von Schrader, Malzer, & Bruyère, 2014). We determine the configuration of corporate governance that is associated with the high inclusion of people with disabilities. Using the fsQCA method in combination with the “general approach for set-theoretic research” (Castro & Ariño, 2016), we advance configurational research by specifically addressing the temporal dimension of configurations. That is to say, configurational studies have underplayed temporal dimensions (Misangyi et al., 2017) and neglect “how configurations can evolve in form and substance of time” (Ketchen, 2013, p. 305). However, corporate governance bundles can evolve under institutional pressures (Yoshikawa, Tsui-Auch, & McGuire, 2007) and, consequently, the configurations of practices that synergistically influence CSR. In other words, cross-sectional configurational studies in general, and corporate governance bundles in particular (Misangyi et al., 2017), assume stability in configurations that might produce misspecification in the models. Our method found two causal combinations of corporate governance that lead to high inclusion of people with disabilities. In both solutions, we found that temporal dimensions played no role in the relationship between the configuration of corporate governance and the high inclusion of people with disabilities. However, we did find, in some case countries in our dataset, that the corporate governance configurations to a significantly lower extent explain the high inclusion of people with disabilities.

Our study contributes to the literature on comparative corporate governance in various ways. We examine how national-level corporate governance mechanisms interactively affect CSR. In doing so, we extend earlier work, which had concentrated on the configuration of corporate governance practices and CSR on the firm level (Bell et al., 2014; Oh et al., 2018) by focusing on national-level corporate governance bundles. In contrast to studies that portray national-level corporate governance mechanisms as working in isolation (Ioannou & Serafeim, 2012), our findings enable a more fine-grained understanding of how configurations of corporate governance mechanisms emanate from the social actions of organizations. To the best of our knowledge, this study is one of the first to specifically address temporal dimensions in the relation between corporate governance configurations and CSR. Thus, we explicitly challenge the assumptions of previous configurational studies—predominantly cross-sectional studies—that suggest stability in configurations and its causal significance in explaining CSR.

## Theory

There is substantial variation across countries in terms of institutions that impact organizations (Amable, 2003; Hall & Soskice, 2001; Whitley, 1999). Following earlier work (Aguilera & Jackson, 2003; Haxhi & Aguilera, 2017), we incorporate three institutional domains and the related



causal attributes into our study. This covers the broad spectrum of corporate governance practices. The following institutional domains have been incorporated: (a) capital, (b) labor, and (c) the state, which vary among countries in terms of their composition and how the actors they represent interact with each other. Assuming corporate governance practices impact CSR, it is likely that cross-national variation can be explained through the composition of and interrelationship between these three domains. In the chapters that follow, we describe these three domains and discuss how they might shape CSR.

## **Capital**

Capital is an essential stakeholder of organizations since it exercises power over organizations through its financing of business operations (Freeman, Harrison, & Wicks, 2007). The capital domain varies across nations (see Berglöf, 1991; Zysman, 1983) in terms of the nature of the financial investment. In particular, we can distinguish between ownership (Zysman, 1983) and the legal position vis-à-vis the organization (Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998). Therefore, the capital domain is captured in country-specific property rights and the financial market (Aguilera & Jackson, 2003; Haxhi & Aguilera, 2017), which together influence an organization's CSR, such as inclusion (see Aguilera et al., 2007).

### Financial system

Financial systems in countries range from market-based to bank-based systems (Berglöf, 1991; Zysman, 1983). Market-based systems are characterized by strong developed capital markets that encourage equity financing. In contrast, bank-based systems channel household deposits into loans provided to organizations (Aguilera & Jackson, 2003). Market-based systems tend to focus on short-term results for shareholders (Aguilera et al., 2007) and, therefore, encourage organizations to maximize profits (Teoh, Welch, & Wong, 1998). In bank-based systems, on the other hand, a long-term focus among shareholders is preferred and encourages lasting strategies that generate benefits for a broader range of stakeholders (Ioannou & Serafeim, 2012). In market-based systems, organizations are free to behave inclusively if inclusion would result in greater competitiveness for organizations (see: Bansal & Clelland, 2004; McWilliams & Siegel, 2001). However, scholars have found that CSR activities are likely to materialize in the long run. For instance, CSR has an effect on an organization's reputation and, consequently, its performance (Fombrun & Shanley, 1990; Weigelt & Camerer, 1988). More specifically, an organization's diversity efforts, such as inclusion, are found to have positive effects on organizational performance in the long run (Richard, Murthi, & Ismail, 2007). For these reasons, we argue that the inclusion of the disabled in mainstream work is higher in countries with bank-based systems compared to countries with the market-based systems.

### Property rights

Property rights define the mechanisms through which shareholders exert power on organizations (Aguilera & Jackson, 2003). In other words, property rights create power asymmetries between the holders of the financial resources (shareholders) and the parties who do not own the financial resources (management). Property rights define the relative power of different types of shareholders with different interests vis-à-vis the organization. Scholars argue that individuals and institutional investors usually follow strategies to maximize their return on investment in terms of the market value of shares and dividend payouts (Dore, 2000; O'Sullivan, 2000). Larger shareholders often hold longer time horizons and have interests that are not strictly defined in financial terms. Instead, these "large" shareholders are likely to have a stakeholder wealth-maximizing motive that is

achieved through long-term growth, social legitimation, and balanced outcomes among stakeholders (Aguilera & Jackson, 2003; Aguilera et al., 2007). For instance, Johnson and Greening (1999) found that large shareholders invest in organizations that have high labor standards and are responsive to their employees (see also Lydenberg, 2005). Therefore, depending on the protection of minority interests within a country, organizations face different strategic interests from capital.

## **Labor**

Labor is a primary stakeholder in organizations (Freeman et al., 2007; McWilliams & Siegel, 2001) and can affect managerial decision making on strategic priorities, technologies and markets, and labor management strategies (Ioannou & Serafeim, 2012). The labor domain varies across nations (Blair & Roe, 2010). Specifically, representation rights provide employees with the right to participate in managerial decision making in varying degrees and ways (see Aguilera & Jackson, 2003; Blair & Roe, 2010). Besides, cross-nationally, there are differences in the opportunities for employees to collectively organize in labor unions and, consequently, exert control on organizations in a top-down fashion (see Whitley, 1999). We capture the labor domain in representation rights and union representation (Aguilera & Jackson, 2003), which can affect inclusiveness (see Aguilera et al., 2007).

### Representation rights

Representation rights define the relative power of employees vis-a-vis the management of organizations. In other words, representation rights provide the internal channels through which employees are represented within firms' decision making (see Aguilera & Jackson, 2003). Corporate governance studies often neglect this employee perspective (Aguilera & Jackson, 2003; Blair & Roe, 2010; Parkinson & Kelly, 2001). This neglect is surprising since employees can have a significant influence on managerial decisions, such as the adoption of certain worker benefits (Briscoe & Safford, 2008) and industrial restructuring (DiPrete, 1993). We posit that employees are likely to push a firm towards CSR —such as action on inclusivity—for several reasons. First, CSR is associated with retaining and attracting employees; clearly, individuals prefer to work for socially responsible firms (Greening & Turban, 2000; Turban & Greening, 1997). Secondly, as referenced in the work of Aguilera et al. (2007), employees are likely to want organizations to act responsibly because they can then determine the extent to which their sense of belonging is being catered for (Lind, 2001). Employees have a psychological need to belong (Tajfel, Turner, Austin, & Worchel, 1979), and CSR provides them with an impression of an organization's social concerns and its commitment to positive relationships. Thirdly, scholars found that employees are concerned with fairness even though this may not confer economic benefits on them directly or may be targeted at a disabled person by way of inclusion (Kahneman, Knetsch, & Thaler, 1986; Turillo, Folger, Lavelle, Umphress, & Gee, 2002). Employees may push organizations to perform CSR to establish an agreement on organizational behavior and moral frameworks (Folger, Cropanzano, & Goldman, 2005). For these reasons, we argue that, in countries where representation rights render a dominant position to employees vis-a-vis management, more people with disabilities tend to be included in mainstream work. In other words, since employee representation in organizations varies from one country to the other, we expect country-specific employee–management relationships within organizations (Ravasi & Zattoni, 2006) to exert different pressures on an organization's CSR.

### Union representation

In addition to internal mechanisms for exerting power, employees can deploy an external mechanism to control organizations by collectively organizing in labor unions (Whitley, 1999). Across

nations, there is considerable variation in the ability of employees to collectively organize outside the organization and exert pressure on the organization (see Aguilera & Jackson, 2003). Strongly represented unions within a country are likely to create a favorable environment for centralized collective bargaining and, consequently, can limit the individual discretion of an organization by exercising external control. Indeed, Matten and Moon (2008) argue that union representation in European countries results in the negotiation of labor-related issues at national or sectoral level rather than the corporate level. Thus, unions can be considered an essential stakeholder in organizations (Dawkins, 2010). While studies on the relation between unions and an organization's CSR are considered underdeveloped (Preuss, Gold, & Rees, 2014) and while studies that have moved in this direction have yielded different results (Egels-Zandén & Hyllman, 2006; Fredriksson & Gaston, 1999; Rassier, 2006), more recent studies suggest a stronger relationship between unions and organizations' CSR efforts. For instance, Colombo, Guerci, and Miandar (2019) showed that unions in Italy negotiated centrally on CSR-related issues and, in particular, issues such as diversity, discrimination, workers' safety, morality, and well-being. Moreover, Jackson and Bartosch (2016) argue that unions represent employee interests and influence CSR through their efforts on issues such as diversity, training, and employment quality (see also Harvey, Hodder, & Brammer, 2017; Young & Makhija, 2014). Therefore, we posit that unions exert power on organizations' CSR, in areas such as inclusive behavior, but that power varies across nations as a function of the union's institutional position (see also Ioannou & Serafeim, 2012)

### **State**

According to Whitley (1999), the state can be considered an important stakeholder in organizations because of its power to regulate. Changes in organizational behavior due to state intervention have been widely studied over an extended period (e.g., DiMaggio & Powell, 1983; Fligstein, 1991; Gunningham & Johnstone, 1999; Gunningham et al., 2003; Meyer & Rowan, 1977; Paternoster & Simpson, 1996). In the context of CSR, studies have shown that state intervention creates unique organizational climates (Aaronson & Reeves, 2002; Campbell, 2006; González & Martínez, 2004). Also, state intervention encourages organizations to behave responsibly and sustainably (Aaronson & Reeves, 2002; Moon & Sochaki, 1996). Scholars found that the state can exert different forms of power on organizations to exercise CSR, ranging from the use of endorsing tools (publicity) to mandatory means (legislation) (Fox, Ward, & Howard, 2002; Lepoutre, Dentchev, & Heene, 2004). Albareda, Lozano, and Ysa (2007) categorized the range of policies that are used in fifteen European countries to develop four models of governmental actions. Furthermore, they classified these policies into relatively 'soft' (raising awareness) or 'hard' (legislation) (see also Joseph, Parkinson, & Joseph, 2003). The adoption of these policies can be traced back to governmental preferences and traditions. For instance, in the Scandinavian political culture, cooperation, consensus, and participation are dominant (Greve, 2003), resulting in policies focusing on stimulating CSR through partnerships among institutional actors. In other words, the extent of power that states exert on organizations' CSR is likely to vary cross-nationally as a function of governmental traditions and preferences.

We posit that three institutional domains: (a) capital, (b) labor, and (c) the state, are likely to influence organizations' CSR—in particular, on the issue of inclusiveness—that is to say, the institutional domains and their causal attributes. We argue that particular configurations of these institutional domains can explain the relative inclusiveness of organizations—in other words, why the number of people with disabilities employed in mainstream work is higher in one country than in another. For instance, the inclusion of people with disabilities in France is higher compared to the Netherlands.

### ***Configuration of institutional domains and corporate social responsibility***

We posit that CSR within a country is contingent on the relationship between country-level institutional domains and their interactions. In particular, we propose that combinations of corporate governance attributes shape the CSR responsibility of organizations in countries. Our position is based on the work of Aguilera and Jackson (2003), which argues that there are different combinations of governance practices among the three main stakeholders: management, labor, and capital. Recently, this work has been extended by studies claiming there are distinct “bundles” of corporate governance practices that interact by substituting or complementing each other and influence organizations (e.g., Aguilera, Desender, Bednar, & Lee, 2015; Bell et al., 2014; Haxhi & Aguilera, 2017; Misangyi & Acharya, 2014). For instance, García Castro, Aguilera, and Ariño (2013) discovered certain groups of corporate governance practices that were associated with increased financial performance and, equally, groups of practices that were associated with lower financial performance. These studies point to the adoption of a “configurational approach” (Fiss, 2007) to discern patterns of corporate governance practices that are likely to occur together and to identify their effects on organizational outcomes. In other words, rather than studying the isolated effects of corporate governance and its causal attributes on organizations’ CSR (Ioannou & Serafeim, 2012), a configurational approach captures the bundle of governance attributes and the variation across countries (Giddens, 1984).

From our discussion of the effects of configurations of governance practices on organizational outcomes, it should be clear that not all corporate governance practices play an equal part in organizational outcomes. That is to say, the contribution of corporate governance practices in organizational outcomes depends on other corporate governance practices. In previous studies, corporate governance practices have been related to CSR (Campbell, 2007; Maignan & Ralston, 2002; Margolis & Walsh, 2003). For instance, Ioannou and Serafeim (2012), in a cross-national study, found that bank-based systems tend to limit organizations’ CSR. However, these studies have considered the effects of corporate governance practice on organizations’ CSR in isolation. Given that organizational outcomes are likely to result from the interaction between bundles of corporate governance practices, we argue that previous studies can be extended by exposing the particular configurations that result in high CSR among organizations. We believe we can add a degree of nuance to previous findings since the effects of individual corporate governance practices on CSR can become stronger or weaker when considered together.

### **Data and methodology**

We created a dataset covering 22 European countries for the period 2007 to 2014. Our strategy was to include as many countries as we could, with the absence of reliable inclusion data serving as a criterion for exclusion. The countries included are Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Ireland, Italy, Latvia, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, and the United Kingdom. Since fsQCA can adequately evaluate both the number and complexity of alternative paths leading to the desired outcome (Fiss, 2011; Greckhamer, Misangyi, Elms, & Lacey, 2008; Ragin, 2009), the method fits our research purpose. Hence, we posit that different configurations of corporate governance domains and their causal attributes can result in higher inclusion of people with disabilities in mainstream work.

### ***Outcome Condition: Inclusion of People with Disabilities***

As argued previously, we consider the inclusion of people with disabilities in mainstream work as central to CSR practice and therefore, we follow the line advanced by earlier work (Konig & Schalock, 1991; López Pino & Seco Martín, 2005; Monteleone & Mozzana, 2009; Segovia-San-Juan et al., 2017; Von Schrader et al., 2014). We measure the inclusion of people with disabilities using the European Social Survey (ESS), which was launched in 2002 and is conducted once every two years. Our measure of inclusion is designed as the difference between (a) the rate of people without disabilities and paid employment and (b) the rate of people with disabilities and paid employment. Consequently, our measure controls for economic circumstances that potentially limit or enhance the availability of work and organizations' availability of resources for CSR (Buchholtz, Amason, & Rutherford, 1999; Seifert, Morris, & Bartkus, 2004). Before capturing our variable, we first established an integrated data file from the ESS waves, 1 to 7. We distinguish respondents with and without disability by asking whether respondents perceive themselves as hampered in daily activities by disability, infirmity, or mental problems. For waves 1, 2, 6, and 7 (respectively 2002, 2004, 2012, and 2014), this question was labeled "C8". Moreover, for waves 3, 4, and 5 (respectively 2006, 2008, and 2010), the question was labeled "C16". Then, we assessed the rate of people with and without disabilities having a paid job in mainstream work—namely, work other than in sheltered workplaces or workplaces provided by the government. This was corrected for the number of people with disabilities unable to work due to the severity of their illness. For wave 1 (2002), we used question "F2C"; for wave 2 (2004), question "F8D"; waves 3 and 4 (2006 and 2008, respectively), question "F8C2"; wave 5 (2010), question "F17D", and for waves 6 and 7 (2012 and 2014, respectively), question "F17C2". To conduct the analysis, we use a three-value fuzzy set, with empirical indicators re-scored between "o" (non-membership) and "r" (membership). We set the mean as the cross-over or the average point in the calibrated data. Moreover, we use the 25 percentile and 75 percentile values, respectively, to set the "fully out" category ("o") and the "fully in" category ("r") (Fiss, 2011). Consequently, in a country with a fuzzy score closer to "r", the inclusion of people with disabilities is higher than in a country with a fuzzy score closer to "o".

### ***Predictive conditions***

In our analysis of comparative corporate governance, we focused on the three most important governance mechanisms and their causal attributes used in previous comparative governance studies: (a) capital, (b) labor, and (c) the state (Haxhi & Aguilera, 2017). In the following section, we explain how we constructed these variables.

#### ***Capital: Financial System.***

We approximate the extent to which a financial system is bank-based or market-based (Berglöf, 1991; Zysman, 1983). In a bank-based system, banks play the central role in providing capital to organizations by channeling household deposits into loans to organizations. In contrast, market-based systems encourage equity financing through an active capital market. We collected a variety of indicators from the Global Competitiveness Index provided by the World Bank. We used two criteria for selecting our indicators: (a) availability of data and (b) face validity in adequately indicating bank-based versus market-based systems. All indicators range from 1 to 7 and are coded in such a way that a value closer to "7" indicates a market-based system and a value closer to "1" a bank-based system. We used standardized transformations of the proxies and performed exploratory factor analysis to construct our predictive condition. The indicators and the results of factor analysis are reported in Table 2.1. Based on our findings, we decided to construct our market-based predictive condition from:

(a) the ease in raising money from issuing shares on the stock market; (b) the ease in obtaining equity funding for the innovative and risky project; (c) the strength of auditing and reporting standards; and (d) the soundness of banks. We employed a three-value fuzzy set, using the 25 percentile, mean, and 75 percentile values to indicate a country's fuzzy set membership (Fiss, 2011). Thus, a value closer to "1" indicates a market-based system and a value closer to "0" indicates a bank-based system.

#### Capital: Property Rights.

Our measure of property rights aims to capture whether a country has strong or weak property rights (Porta et al., 1998) and, consequently, what is the power position of minority shareholders vis-à-vis the firm. Considering the availability of data and face validity, we captured a variety of indicators from the World Bank. Moreover, these indicators have been used in prior studies on comparative corporate governance (Durnev, Errunza, & Molchanov, 2009). All indicators range from 1 to 10, where a value closer to "10" suggests stronger minority shareholder protection. We used standardized transformation of the indicators and exploratory factor analysis; the results are reported in Table 2.1. From these findings, we constructed the property rights condition from: (a) the extent of the disclosure index; (b) the extent of the liability index; and (c) the extent of shareholder-suits interests. To establish our three value fuzzy sets, we used the 25 percentile, mean, and 75 percentile values (Fiss, 2011). Consequently, a country with a fuzzy score closer to "1" has strong minority shareholder protection, while a country with a fuzzy score closer to "0" has weaker minority shareholder protection.

#### Labor: Employee Participation.

We used a range of proxies to capture formal internal channels that give employees a voice in organizations (Aguilera & Jackson, 2003) and that vary cross-nationally. We captured our indicators from the Global Competitive Index provided by the World Bank and selected them on the basis of face validity. All indicators ranged from "1" (low employee participation) to "7" (high employee participation) and were standardized before performing exploratory factor analysis. The results are reported in Table 2.1. Based on these results, our employee participation condition is constructed from the following indicators: (a) management's willingness to delegate authority; (b) the degree of cooperation in employee-management relationships; (c) the extent to which companies invest in employee development; and (d) labor market efficiency. We established the three-value fuzzy set, using the 25 percentile, mean, and 75 percentile values. Accordingly, a country with a fuzzy score closer to "0" has lower employee participation in managerial decision making, compared to countries with fuzzy scores closer to "1".

#### Labor: Union representation.

Our measure of union representation should capture employees' external control of organizations through organizing collectively (Whitley, 1999). We used the Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Acts, 1960-2014 (Visser, 2015) to derive our union representation condition. We constructed this condition by combining net union membership with the relative authority of unions within a country. Firstly, net union membership captures total union membership minus union members outside the active, dependent, and employed labor force, such as retired workers, independent workers, students, and the unemployed (see Ebbinghaus & Visser, 2000). Secondly, unions' authority is derived from unions' position in wage bargaining, strikes, and workplace representation and can range from 0 to 1. A "1" indicates high authority of unions and "0" indicates low authority of unions. We multiplied (a) union membership with (b) union authority to construct our union representation condition. We used 25 percentile,

mean, and 75 percentile values to establish the three-value fuzzy set (Fiss, 2011). Thus, in a country with a fuzzy score closer to “o”, union power vis-a-vis the organization is lower than in countries with a fuzzy score closer to “r”.

### *The State*

We approximate the state’s power in stimulating organizations to behave responsibly (see Aaronson & Reeves, 2002; Moon & Sochaki, 1996). We collected a variety of indicators from the Manifesto Project Database (Volkens et al., 2015), which contains policy preferences of over 1000 parties located in more than 50 countries and from 1945 to today. The policy preference of parties is derived from the number of times certain concepts are mentioned. These could include good working conditions, fair wages, pension provision, and so on. We used standardized transformations of the proxies and performed exploratory factor analysis to establish the state predictive condition. The results of the exploratory factor analysis are reported in Table 2.1. Before constructing our variable, we corrected for the relative power of a party within a political system, using the number of the party’s seats relative to total seats. Then, we constructed the state predictive condition as the mean of the indicators: (a) the state’s stance on social justice and fair treatment; and (b) the state’s stance on labor and the working class. We recognize that our predictive condition does not directly capture the regulatory role of the state in relation to organizations (Amable, 2003; Whitley, 1992). However, we believe our proxy adequately captures state interventions for two reasons. Firstly, prior research has used similar proxies of political preferences and ideology as measures of actual state interventions directed at organizations (Boch Waldorff & Greenwood, 2011). Secondly, as Albareda et al. (2007) show, state interventions stimulating CSR are frequently not strictly regulative but can take a variety of forms, such as raising awareness and facilitating voluntary initiatives. Table 2.2 gives an overview of all the conditions and their calibration.

Table 2.3 provides summary statistics of the predictive conditions in our analyses. We used the R package “SetMethods” (Oana & Schneider, 2018) to perform our analysis. We used this package specifically because it enables us to account for the clustering of our data along a temporal dimension (Castro & Ariño, 2016). The fsQCA approach, without taking account of the clustered structure of data, assumes that cases can be pooled across time. However, potential solutions can be found for the pooled data but not for the sub-populations in the data. In other words, solutions could be the results of pooled cases that follow different causal logics with the result that conclusions can be seriously hampered. We adopt the approach suggested by Castro and Ariño (2016) to account for the clustering of our data and assess whether solutions remain robust. Furthermore, the approach adds additional robustness checks to fsQCA, which has been called for by scholars (Greckhamer et al., 2008; Kogut, 2010). Firstly, we generated the truth table to produce different combinations of our governance conditions that are sufficient for the required outcome: inclusion of people with disabilities in mainstream work (see Ragin, 2009). We set the consistency cutoff at .80 (Ragin & Rihoux, 2009), deciding to keep the configuration for further analysis. Then, the Quine-McCluskey algorithm (Quine, 1955) was used to generate the parsimonious and intermediate solutions (Ragin, 2009) to simplify the configurations and to arrive at a tighter understanding. Table 2.4 accounts for the parsimonious and intermediate solutions, following the example of earlier works (Bell et al., 2014; Crilly, 2011; Crilly, Zollo, & Hansen, 2012; Fiss, 2011; Greckhamer, 2011; Ragin & Fiss, 2008). Unique coverage indicates the relative weight of each causal combination in leading to high inclusion of people with disabilities (see Fiss, 2011; Ragin & Fiss, 2008). Furthermore, overall solution coverage shows the joint importance of all causal combinations in explaining high inclusion rates (Schneider, Schulze-Bentrop, & Paunescu,

2010).

To account for the clustered structure of our data, we took additional steps in line with the approach suggested by Castro and Ariño (2016). Firstly, we calculated pooled consistency, which is the overall consistency of a causal combination pooled in time. Since pooled consistency neglects potential effects of time and case effects, the measure is essentially equivalent to pooling all cross-sectional consistencies (Ragin, 2009). To account for possible time and case effects, we first calculated between consistencies. Between consistencies are used to assess whether causal conditions remain robust over time—in our case, across the years 2007 to 2014. Then, we calculated within consistencies, which indicate whether a causal combination remains robust across cases. Thus, we ended up with eight between consistencies (one for each year) and twenty-two within consistencies (one for each case country). The pooled consistencies, between consistencies, and within consistencies are related. That is to say, pooled consistencies can be expressed as: (a) a weighted average of between consistencies or (b) a weighted average of within consistencies. The weights depend solely on the degree of membership in the set. Then, if the degree of membership is constant over time, the pooled consistency is equal to the average of all between consistencies. Likewise, if the sum of the degree of membership in our sample is constant across cases, pooled consistency is equal to the average of the within consistencies. However, if the degree of membership (thus, weights) is inconsistent, the distance between pooled consistency and each between consistency and within consistency can be potentially large. Following Castro and Ariño (2016), we use Euclidian distance measures, corrected for several periods and cases, to arrive at two measures: (a) between consistency adjusted distance and (b) within consistency adjusted distance. Consequently, the higher the between consistency or within consistency distance, the less stable the causal combination across time and/or cases. In similar vein, we calculated the pooled, between, and within coverage to assess the empirical evidence for each causal combination-outcome relation found.



Table 2.1 List of indicators, loadings, and predictive conditions.<sup>b</sup>

Predictive condition	Indicators	Loadings	Operationalization
Financial system	Ease in raising money by issuing shares on the stock market	.89	How easy is it for companies to raise money by issuing shares on the stock market? [1 = extremely difficult; 7 = extremely easy]
	Ease in obtaining equity funding for innovative and risky projects	.91	How easy is it for startup entrepreneurs with innovative but risky projects to obtain equity funding? [1 = extremely difficult; 7 = extremely easy]
	Strength of auditing and reporting standards	.84	How strong are financial auditing and reporting standards? [1 = extremely weak; 7 = extremely strong]
	Soundness of banks Strength	.78	How would you assess the soundness of banks [reverse coded: 1 = extremely high; 7 = extremely low]
Property rights	The extent of the disclosure index	.35	The extent of the disclosure index has five components: (1) which legal body provides sufficient approval for the transaction; (2) necessity for an external auditor to review the transaction; (3) necessity to inform the board of directors or supervisory board about the transaction; (4) necessity to immediately inform the public, regulator, or shareholder about the transaction; and (5) necessity to disclose the transaction in the annual report.
	The extent of liability index	.38	The extent of liability index has seven components: (1) whether shareholder plaintiffs can sue organizations for the damage caused by the transaction; (2) whether the shareholder plaintiff can hold Mr. James liable for the damage of the transaction; (3) whether shareholder plaintiff can hold approving body liable for the damage of transaction; (4) whether Mr. James pays damages for the harm caused to the organization upon making a successful claim; (5) whether Mr. James repays profits made from the transaction upon making a successful claim; (6) whether Mr. James is disqualified from making a successful claim; and (7) whether a court can void the transaction upon a successful claim.

Predictive condition	Indicators	Loadings	Operationalization
	The extent of shareholder suits index	.43	The ease of shareholder suits index has six components: (1) shareholders hold the right to inspect the transaction document before filing suits; (2) the range of documents available to the shareholder plaintiff; (3) the plaintiff's ability to obtain categories of relevant documents from the defendant; (4) the plaintiff's ability to directly examine the defendant and witness during the trial; (5) whether the standard of proof for civil suits is lower than for a criminal case; and (6) the plaintiff's ability to recover legal expenses from the company.
Employee Participation	Willingness to delegate authority	.94	How do you assess the willingness of subordinates to delegate authority? [1 = not willing; 7 = very willing, authority is mostly delegated to business unit heads and other lower-level managers]
	Cooperation in employee-management relationships	.92	How would you characterize labor-employer relationships? [1 = generally confrontational; 7 = generally cooperative]
	The extent of staff training	.95	To what extent do companies invest in training and employee development? [1 = not at all; 7 = to a great extent]
	Local market efficiency	.85	The indicator is derived from the following indicators: (1) cooperation in labor-employer relations; (2) flexibility of wage determination; (3) rigidity of employment; (4) hiring and firing practices; (5) firing costs; (6) pay and productivity; (7) reliance on professional management; (8) brain drain; and (9) female participation in the labor force.
State	Stance on social justice and fair treatment	.48	The number of favorable mentions related to the concept of social justice and the need for fair treatment of all people. This may include (1) special protection for underprivileged social groups; (2) removal of class barriers; (3) need for fair distribution of resources; and (4) the end of discrimination.
	Stance on labor and the working class	.48	The number of favorable references to all labor groups, the working class, and unemployed workers in general. Support for trade unions and calls for the good treatment of all employees, including (1) more jobs; (2) good working conditions; (3) fair wages; and (4) pension provisions.

<sup>a</sup> Exploratory factor analysis with Promax rotation ( $n = 176$ ). The predictive conditions are constructed from the indicators with loadings above .30 on the factors (Comrey & Lee, 1992). All indicators were standardized before factor analysis.

<sup>b</sup> We included a variety of other indicators, but they proved to be problematic due to cross-loading or not loading at all. We present the results after deleting these items.

<sup>c</sup> Assumption about the transaction to establish the liability index. Mr. James owns 60% of Buyer, sits on Buyer's board of directors, and appointed two directors to Buyer's five-member board. Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores. Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value. The proposed transaction is part of the company's principal activity and is not outside the authority of the company. Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made—that is, the transaction was not entered into fraudulently. The transaction causes damages to Buyer. Shareholders sue Mr. James, the executives, and the directors who approved the transaction.

**Table 2.2** Calibrations of outcome and predictive conditions

<b>Conditions</b>	<b>Fuzzy score</b>	<b>Characteristics</b>	<b>Example countries</b>
Inclusion of people with disabilities	0.0	Inclusion of people with disabilities low	Hungary
	0.5	Inclusion of people with disabilities moderate	Czech Republic
	1.0	Inclusion of people with disabilities high	Italy
Capital: financial system	0.0	Bank-based financial system	Germany
	0.5	Neither bank-based nor market based financial system	Spain
	1.0	Market-based financial system	United Kingdom
Capital: property rights	0.0	Weak shareholder protection	Greece
	0.5	Moderate shareholder protection	Estonia
	1.0	Strong shareholder protection	United Kingdom
Labor: employee participation	0.0	Weak employee voice managerial decisions	Latvia
	0.5	Moderate employee voice managerial decisions	Poland
	1.0	Strong employee voice managerial decisions	Germany
Labor: union representation	0.0	Weak union representation	France
	0.5	Moderate union representation	Austria
	1.0	Strong union representation	Finland
State	0.0	Weak state intervention	Romania
	0.5	Moderate state intervention	Czech Republic
	1.0	Strong state intervention	Austria

**Table 2.3** Descriptive statistics

Conditions	Mean	s.d.	25 <sup>th</sup> percentile	75 <sup>th</sup> percentile
Inclusion of people with disabilities	.64	.05	.60	.67
Capital: financial market	3.82	.42	3.44	4.16
Capital: property rights	5.64	1.29	5.00	6.34
Labor: employee participation	4.61	.72	3.91	5.22
Labor: union representation	418.96	686.82	25.42	428.13
State	1162.94	930.64	595.01	1448.28

## Results

### *Results: Sufficient Conditions for High Inclusion of People with Disabilities*

Table 2.4 shows that there are two solution configurations with consistency levels of respectively .83 and .85. The unique coverage of .07 and .01, respectively, shows that both solutions are unique in explaining the high inclusion of people with disabilities among European countries. By analogy, the coverage measure is not unlike an R-square statistic in regression analysis. Both configurations together account for 35% of the outcome: high inclusion of people with disabilities.

Our analysis shows that the employee participation condition is important for both configurations explaining the high inclusion of people with disabilities within countries. This suggests that countries with high employee participation are associated with high inclusion rates in mainstream work. Furthermore, we found the financial system condition to be present or absent depending on the configuration of conditions. This is an example of “conjectural” causation (Crilly, 2011; Ragin, 2009)—that is to say, conditions produce particular effects only in combination with other conditions. Configuration 1 in Table 2.4 shows that, when a country’s corporate governance bundle encompasses employee participation, strong shareholder interest, and a non-market-based financial system, these conditions are sufficient to observe the high inclusion of people with disabilities in the country. Examples of countries following this configuration are Denmark and Estonia. The second configuration includes employee participation, union representation, and state interventions. Furthermore, it embraces a market-based system as a present condition, whereas it is absent in configuration 1. Examples of countries following this configuration are Greece and Sweden. Together, configuration 1 and 2 show that employee participation is a common underlying mechanism.

We performed an additional robustness check to test the robustness of our findings. We adjusted the calibration criteria of our conditions to examine whether our findings are robust when using alternative calibration specifications. In addition to the 25<sup>th</sup> and 75<sup>th</sup> percentile, we used the 10<sup>th</sup>, 20<sup>th</sup>, 80<sup>th</sup>, and 90<sup>th</sup> percentiles, respectively, to set the anchors to distinguish between a case of membership and non-membership. Using the calibration thresholds of the 20<sup>th</sup> and 80<sup>th</sup> percentiles, the same configurations were found and the consistency remained robust. Using the calibration thresholds of the 10<sup>th</sup> and 90<sup>th</sup> percentiles yielded the same results. Since no significant changes were observed in the solutions and, hence, interpretation remained unchanged, we decided to use our threshold of the 25<sup>th</sup> and 75<sup>th</sup> percentiles to discern “fully out” and “fully in” cases.

### ***Results: Temporal Effects on Sufficient Conditions for High Inclusion of People with Disabilities***

Figure 2.1 shows the between consistencies against the pooled consistency of the overall sample for both Solutions 1 and 2. We plot these consistencies to assess the consistency of our solutions over time. In other words, since our solutions are obtained from pooled data, we assess whether potential temporal effects distort the found causal configurations. In the situation of no inconsistent cases, the between consistencies per year would equal the pooled consistency. For Solution 1, the between consistencies would equal the pooled consistency of .83 and, for Solution 2, the pooled consistency .85. Figure 2.1 shows that the between consistencies seem relatively unstable, with the highest deviation in 2009 of .19. These results suggest the possibility of a time effect on the relationship between Solution 1 and the high inclusion of people with disabilities. We also assess the variation across years by calculating the between consistency adjusted distance, which is .05. The adjusted distance of .05 is lower than the threshold of .1 (Castro & Ariño, 2016), which indicates homogeneity across years rather than heterogeneity. While it is still worthwhile to consider differences in inconsistencies across years, we conclude that Solution 1 is indifferent to time effects in explaining the high inclusion of people with disabilities. In particular, from 2009, the consistencies become stronger, which provides evidence that the causal combination is a subset of the outcome.

We also assessed Solution 1's empirical relevance. We considered the degree to which its causal combination explains the outcome (Fiss, 2011; Ragin, 2009). Without taking into account time and cross-sectional effects, the overall coverage of Solution 1 is .07. In Figure 2, we plotted the pooled coverage and the between coverage, which enables us to assess whether the consistent relationship between Solution 1 and the outcome is empirically relevant across time. We find that the between coverage displays an upward trend between 2007 and 2014. This suggests that the causal configuration of Solution 1 became more important in explaining the high inclusion of people with disabilities over time.

Figure 2.1 shows that the between consistencies of Solution 2 would appear to be more stable compared to those of Solution 1. It is, therefore, highly probable that there are no substantial time effects on the relationship between Solution 2 and the outcome. The between consistency adjusted distance is .02 and lower than .1, which would indicate heterogeneity across years. Therefore, there seems to be no time effect on the relationship between Solution 2 and the high inclusion of people with disabilities.

### ***Results: Cross-Sectional Effects on Sufficient Conditions for High Inclusion of People with Disabilities***

In Figure 2.3 and Figure 2.4, the within consistencies are plotted against the pooled consistency of the overall sample for both Solution 1 and Solution 2. Thus, we can examine the cross-sectional consistency of the causal combination leading to the high inclusion of people with disabilities. Figure 2.3 shows that the within consistencies for each country vary, and it also indicates that the population of countries in our sample is not homogenous, raising the possibility that there might be stratification in the data. The within consistencies vary from 0.26 to 1.00, where 1.00 indicates that the causal combination is consistent for the case. The within consistency adjusted distance is .05 and far lower than the threshold of .1 (Castro & Ariño, 2016), which would indicate that the populations of countries are heterogeneous. However, given most of our sample countries ( $n = 18$ ) have perfect

within-consistency levels of 1.00, we argue that this is likely to diminish the effect of lower within consistencies ( $n = 4$ ) on the within consistency adjusted distance calculation. Hence, the adjusted distance measure accounts for the number of periods and cases in the sample but not necessarily for intense polarization in the cases. Therefore, we believe it safe to say that the following countries deserve additional attention: Austria, Estonia, Portugal, and Spain by having the within consistency of .51, .51, .68, and .27, respectively. It may be that this cluster of countries has common features that explain the lower consistency of Solution 1-outcome relationships across countries.

Figure 2.4 depicts the within consistencies for each country plotted against the pooled consistencies. When the within consistencies are perfectly equal to the pooled consistencies, we can conclude that there is no case-specific effect on Solution 2 and the outcome of high inclusion of people with disabilities. The within consistencies range from .17 to 1.00, suggesting that the countries in our sample are heterogeneous. The adjusted within consistency distance is .07 and below the threshold of .1 (Castro & Ariño, 2016), tendering proof that the causal combination is consistent over the 22 countries. However, we posit that the within-consistency adjusted distance may give a distorted picture because most of the sample countries have perfect consistency levels of 1.0 ( $n = 14$ ) and, consequently, may diminish the effects of countries with lower consistency levels in the calculation. Therefore, the following countries deserve special attention: Switzerland, Italy, Spain, Austria, Greece, United Kingdom, and Estonia, which have within-consistency levels of .17, .27, .35, .52, .61, .63, and .75, respectively. Although Sweden has a within-consistency level of .83, which is lower than the pooled consistency of .85, Sweden still has a high consistency level above the threshold of .8 (Ragin, 2009). Based on these results, it may be that the cluster of countries, consisting of Switzerland, Italy, Spain, Austria, Greece, the United Kingdom, and Estonia have common features that explain the lower consistency of Solution 2 leading to the high inclusion of people with disabilities.

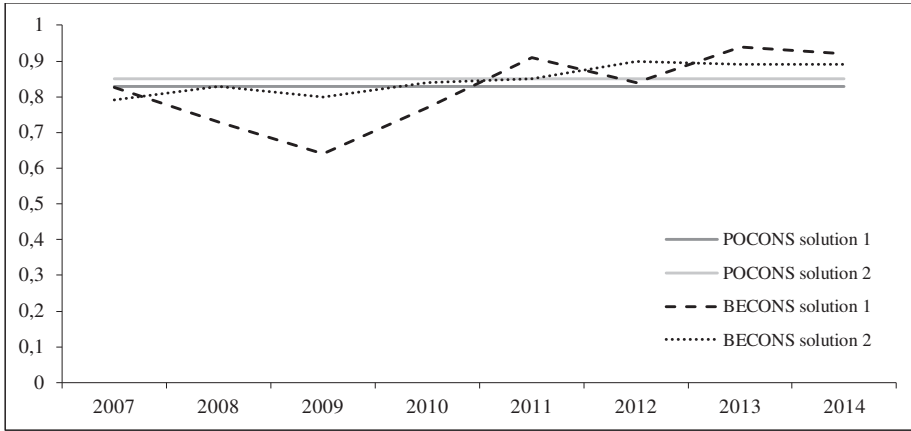
Figure 2.5 plots the within coverage to the pooled coverage of both Solution 1 and Solution 2. The within coverage for the solutions indicates the empirical relevance of the within consistencies for each country. In other words, the coverage for each country indicates whether the consistent relationship between the causal configuration and outcome for a particular country is empirically relevant over time or not.

**Table 2.4** Configurations for Achieving High Inclusion of People with Disabilities in European Countries, 2007-2014<sup>a</sup>

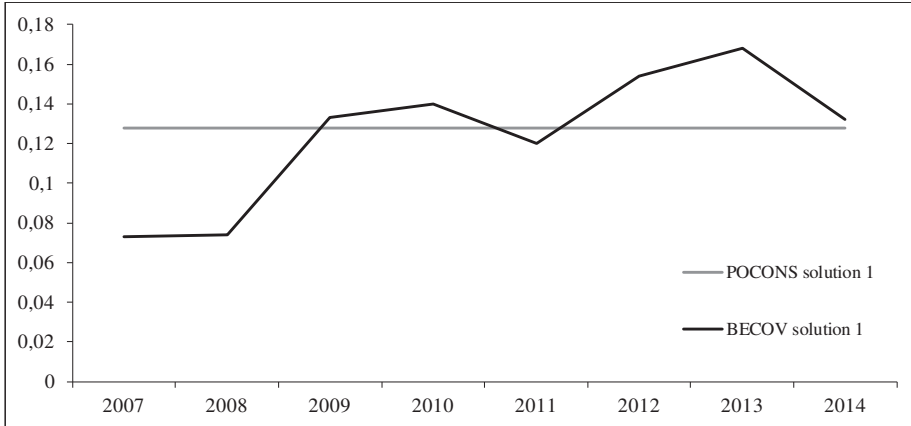
Variables	Solution	
	1	2
<i>Capital</i>		
Financial system	⊗	●
Property rights	●	
<i>Labor</i>		
Employee participation	●	●
Union representation		●
<i>State</i>		
State		●
Consistency	0.83	0.85
Raw coverage	0.12	0.28
Unique coverage	0.07	0.01
Examples	Denmark/Estonia	Greece/Sweden
<i>Overall solution consistency</i>	<b>0.84</b>	
<i>Overall solution coverage</i>	<b>0.35</b>	

<sup>a</sup>The outcome condition is the inclusion of people with disabilities in mainstream work. Full circles indicate the presence of a condition. Crossed-out circles indicate the absence of a condition. Large circles indicate conditions that are part of both parsimonious and intermediate solutions. Small circles refer to conditions that only occur in intermediate solutions. Blank cells indicate that a particular causal condition is not relevant within that solution configuration.





**Fig. 2.1** Between Consistencies and Pooled Consistencies for the Configuration for Achieving High Inclusion of People with Disabilities in European Countries, for each year between 2007 and 2014



**Fig. 2.2** Between Coverage and Pooled Consistencies for the Configuration for Achieving High Inclusion of People with Disabilities in European Countries, for each year between 2007 and 2014

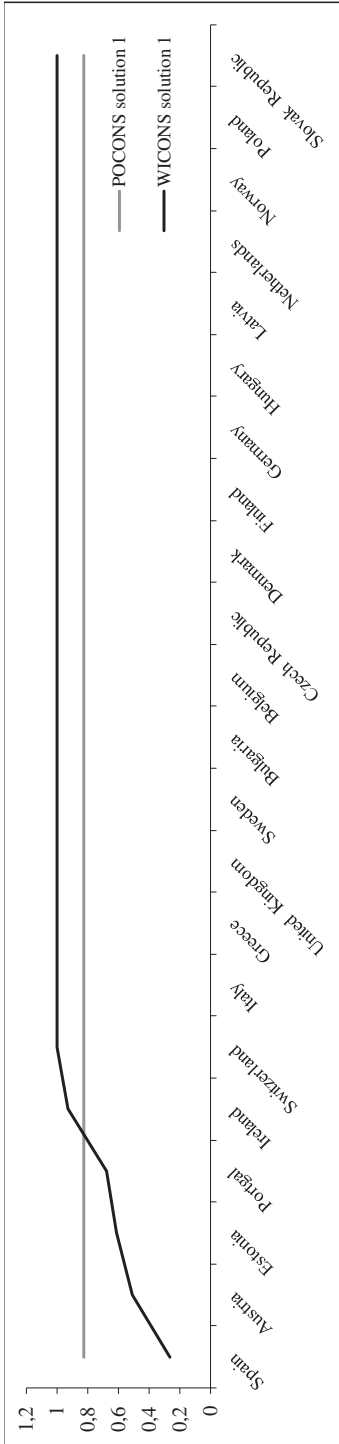


Fig. 2.3 Within Consistencies and Pooled Consistencies for Solution 1 for Achieving High Inclusion of People with Disabilities in European Countries, for each country between 2007 and 2014

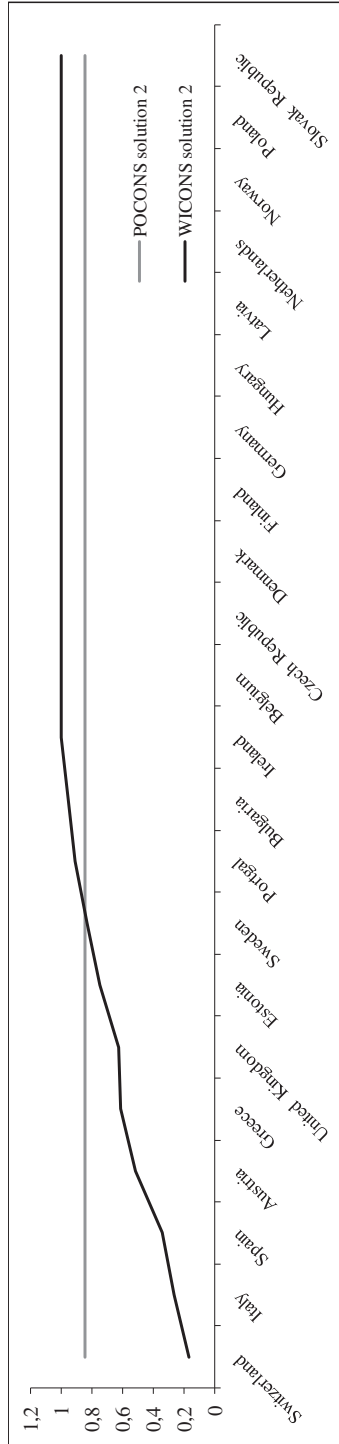


Fig. 2.4 Within Consistencies and Pooled Consistencies for Solution 2 for Achieving High Inclusion of People with Disabilities in European Countries, for each country between 2007 and 2014

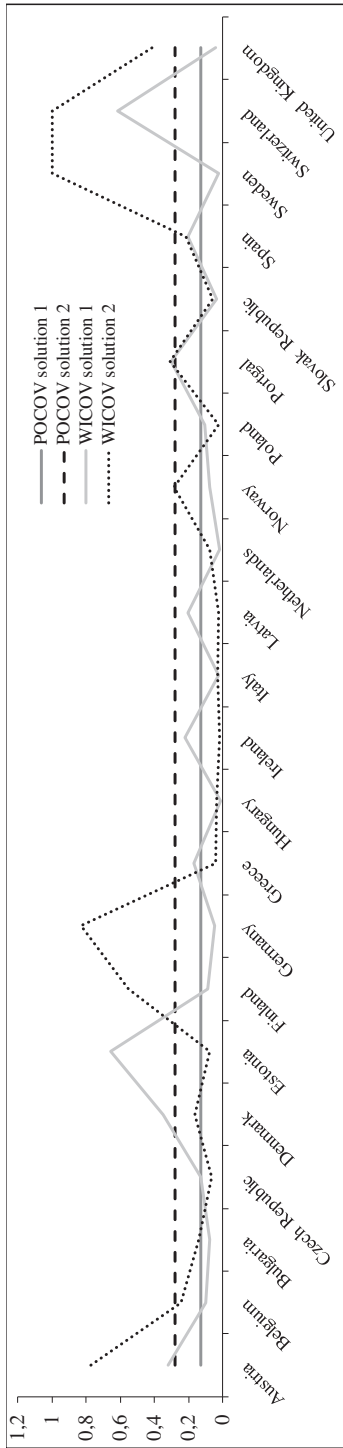


Fig. 2.5 Within Coverages and Pooled Coverage for Solution 1 and Solution 2 for Achieving High Inclusion of People with Disabilities in European Countries, for each country between 2007-2014

## Discussion and Conclusion

In this study, we seek to identify how corporate governance bundles influence CSR in organizations. To this end, we draw on comparative corporate governance literature. Following earlier work, we posit that corporate governance mechanisms can complement or substitute one another in promoting CSR. In particular, we propose that specific configurations of corporate governance bundles are likely to yield synergistic effects on CSR. We develop and test our theory in the context of the inclusion of disabled people in mainstream work in 22 European countries in the period 2007 to 2014. We focus on a key set of corporate governance mechanisms in three institutional domains: (a) capital; (b) labor; and (c) the state. In line with our theoretical stance, the analysis yields support for our configurational predictions.

## Main findings and contributions

Our findings imply the existence of an “equifinality” (Gresov & Drazin, 1997; Rediker & Seth, 1995) of corporate governance. That is to say, different configurations of corporate governance bundles can yield the same social outcomes. Multiple governance mechanisms simultaneously influence organizations’ CSR in a complex way (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Rediker & Seth, 1995), rather than being a result of the independent effect of governance mechanisms. Our findings support the complementary view in suggesting that one governance mechanism increases the effect of another on CSR (Hoskisson, Castleton, & Withers, 2009; Oh et al., 2018; Schepker & Oh, 2013). Our findings point to the interdependence of corporate governance mechanisms in stimulating CSR. For instance, strong shareholders are only associated with high inclusion of people with disabilities when employee participation is strong and a market-based financial system is absent. Thus, various interactions between corporate governance mechanisms together influence organizations’ CSR.

We proposed that employee participation in managerial decision making exerts pressure on organizations’ CSR. These pressures emanate from employees’ preferences and moral and psychological needs (Aguilera et al., 2007; Folger et al., 2005; Greening & Turban, 2000). In support of the complementary view on corporate governance (Rutherford, Buchholtz, & Brown, 2007), we found that the effect of employee participation on CSR is complemented by strong minority shareholder protection. Minority shareholder protection creates power asymmetry between shareholders and management (Aguilera & Jackson, 2003), which in turn provides leverage to prioritize wealth maximizing motives (Dore, 2000; O’Sullivan, 2000) in managerial decision making. The prevalence of employee participation together with strong minority shareholder representation induces synergistic effects in encouraging CSR. These synergistic effects, however, only occur in the absence of a market-based financial system. Thus, financial systems are characterized by strong, developed capital markets (Aguilera & Jackson, 2003), where short-term-focused shareholders (Aguilera et al., 2007) encourage organizations’ profit maximization (Teoh et al., 1998). In other words, the synergistic effects of employee participation and minority shareholder representation on organizations’ CSR are conditioned by the nature of the financial system.

This finding is surprising when considered in the light of the literature on comparative capitalism (Hall & Soskice, 2001). Given that CSR activities are likely to materialize in the long run (Richard et al., 2007), organizations’ short-term profitability focus could hinder investment in CSR

(Kacperczyk, 2009). This short-term focus is likely to result from minority shareholder pressures because they provide impatient capital to organizations (Dore, 2000; O'Sullivan, 2000). Also, market-based financial systems are associated with a focus on short-term results (Aguilera et al., 2007) and encourage profit maximization (Teoh et al., 1998). Therefore, it is more likely that these two corporate governance mechanisms are complementary in hindering organizations' long-term investments in CSR. We offer one possible explanation for this finding. Some studies suggest that strong minority shareholder protection creates dispersed ownership of organizations. Dispersed ownership is likely to place broader demands on organizations (Keim, 1978; Ullmann, 1985). This creates a difficulty for organizations that have already engaged in CSR (Johnson & Greening, 1999; see also 2009). However, this mechanism would only work if the notion that minority shareholders' interests are strictly financial is challenged and if it is accepted that those interests encompass normative elements. Portraying minority shareholders' pressures as involving normative elements would also explain our finding that minority representation clashes with a market-based financial system. Besides the complementary effect of minority shareholders and employee participation, there is a certain coincidence of interests between them. Hence, strong employee participation poses normative pressures on organizations to engage in CSR because of employees' moral frameworks (Folger et al., 2005), psychological needs (Tajfel et al., 1979), and preferences (Greening & Turban, 2000).

Despite the notion that the market-based financial system poses short-term pressures on organizations that impede CSR (Aguilera et al., 2007), we found that, under certain conditions, the presence of a market-based system is associated with high CSR among organizations. That occurs when the market-based financial system is accompanied by: (a) strong employee participation; (b) strong union representation; and (c) the presence of state intervention. We are not surprised that these three mechanisms complement each other in encouraging CSR. Firstly, recent literature suggests a positive relationship between union representation and CSR (Colombo et al., 2019). As previously argued, employee representation in managerial decision making encourages organizations to engage in CSR. Strong unions are likely to act as an influential party at the table by formally representing employees' norms and preferences regarding organizations' CSR (Jackson & Bartosch, 2016). Hence, they might benefit from a climate beneficial to CSR that results from state intervention (Aaronson & Reeves, 2002; Campbell, 2006; González & Martínez, 2004). We argue that the presence of these three corporate governance mechanisms indicate that normative perceptions regarding CSR are highly institutionalized in society (Matten & Moon, 2008). These institutionalized norms place significant pressure on organizations to adopt CSR practices in order to remain legitimate in the eyes of stakeholders (Brammer, Jackson, & Matten, 2012). In the first instance, this might clash with the short-term focus of a market-based financial system. On the other hand, however, a short-term orientation may put additional pressure on organizations to comply with institutionalized norms in order to remain legitimate. This is because the incurred "costs" of organizations are illegitimate (for a discussion on this matter, see Filatotchev & Nakajima, 2014). We encourage scholars to further explore this position.

We contribute to the literature at the interface of corporate governance and CSR. We empirically underpin the idea that cross-national variation in corporate governance bundles is reflected in variation in CSR—in particular, the inclusion of people with disabilities (Campbell, 2007; Maignan & Ralston, 2002; Margolis & Walsh, 2003). Furthermore, our research shares a common perspective with studies that concentrate on the role of systematic interactions within corporate governance and CSR (Haxhi & Aguilera, 2017). This study provides additional support for the position that corporate

governance does not work in isolation (Amable, 2003). Rather, we find that particular configurations of corporate governance affect organizations' CSR (Greckhamer et al., 2018; Haxhi & Aguilera, 2017). In doing so, we augment research that has concentrated on configurations of corporate governance and CSR on the firm level (Bell et al., 2014; Oh et al., 2018) by focusing on corporate governance bundles across countries. Our findings challenge studies portraying corporate governance as working in isolation (Ioannou & Serafeim, 2012) by demonstrating how corporate governance mechanisms complement one another in encouraging CSR. In particular, we assess the robustness of the corporate governance bundle–CSR relationship over time and across cases and, in so doing, we respond to the call of Ketchen, 2013. We believe our approach advances the literature on comparative corporate governance and offers further research avenues by adequately capturing the interactional dynamics within corporate governance systems across cases and over time.

## Limitations and future research

This study has several limitations. First, our study used a proxy measurement for organizations' CSR. In particular, we constructed a country-level measure on the inclusion of people with disabilities in mainstream work as a proxy for organizations' CSR. Consequently, we were unable to account for the different effects of corporate governance mechanisms per type of organization. However, scholars have found that privately-held organizations differ substantially from public organizations in their behavior toward country-level institutions (Ioannou & Serafeim, 2012). Consequently, it would be theoretically interesting to assess whether our findings also apply to different types of organization.

Furthermore, our study focused on three institutional domains: (a) capital, (b) labor, and (c) the state and covers a broad spectrum of governance practices. Our conceptualization of the inter-dynamics of these three domains and the interactive effects on CSR could be extended by including other national-level institutions (Campbell, 2007; Matten & Moon, 2008). For instance, scholars point to the role of other institutions such as culture (Peng, Dashdeleg, & Chih, 2014). Moreover, it would be theoretically relevant to include other corporate governance mechanisms (Aguilera, Williams, Conley, & Rupp, 2006), such as the role of management. Finally, our dataset comprises countries in Western and Eastern Europe. According to the literature on comparative capitalism, the institutions in these countries tend to vary. However, this variation is not so great as to preclude defining a shared national setting—termed “varieties of capitalism” (Amable, 2003; Hall & Soskice, 2001; Whitley, 1999). We believe it would be interesting from a theoretical perspective to include other countries—for instance, countries with under-developed economies. Consequently, our theory might be strengthened by being empirically tested in a variety of institutional settings.

## Conclusion

Our study provides important implications for understanding the relationship between corporate governance bundles and CSR. In particular, we incorporate three institutional domains: (a) capital, (b) labor, and (c) the state and the related causal attributes, covering the broad spectrum of governance practices. Our theoretical model and empirical findings suggest that multiple corporate governance mechanisms at the country level can complement each other and promote CSR among organizations. Moreover, we found that different configurations of corporate governance can achieve comparable levels of CSR, supporting the notion of equifinality. Furthermore, controlling for

potential time and case effects, we found that the configuration of corporate governance leading to high CSR might not be as robust in all sample countries and for all points in time. For instance, concerning our first configuration, the countries of Spain, Austria, Estonia, and Portugal may share some sets of features that explain why the combination of governance mechanisms is not associated with high levels of CSR. We encourage scholars to adopt our approach so that a better theory can be developed on how multiple governance mechanisms on the country level interactively affect CSR and under what circumstances. In particular, we recommend a focus on accounting for case-specific and time-specific features that might diminish the interactive effects of corporate governance practices on CSR. In addition to theoretical contributions, such research would have practical implications for policymakers on how to implement governance practices so that optimal CSR outcomes could be achieved.







# **CHAPTER 3: “Thank you for smoking!”: The impact of state, corporations, and activists on tobacco legislation**

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## CHAPTER 3: “THANK YOU FOR SMOKING!”, THE IMPACT OF STATE, CORPORATIONS, AND ACTIVISTS ON TOBACCO LEGISLATION

This study examines how and to what extent activists and corporations interact with the state to influence legislation. To answer this question, we combine corporate political action (CPA) theory and the Political Opportunity Structure (POS) into an empirical model, which builds a theory around the interactions between activists, corporations, and the state. We test our model with a unique dataset of tobacco-related legislative changes between 1980 and 2012 in twenty-one European countries. Firstly, we examine how the interactions of activists and corporations with the state influence legislative outcomes. Secondly, we examine how interactions between activists and corporations have spillover effects on legislative outcomes. In support of POS theory, we found that activists’ influence on legislation relates to the structural arrangement of political systems. Furthermore, we extend CPA theory in finding that a large industry may have difficulties influencing legislative outcomes when the industry is contested. Finally, in contrast to our expectation, we did not find that activist–corporate interactions create a spillover effect on legislative outcomes. Juxtaposing activists, corporations, and the state in one model exposed the pathways through which legislations are influenced and contributes to an enhanced understanding of legislative outcomes in contested domains.

### Introduction

Activists can target protests at the state to indirectly force corporations to change their behavior (e.g., Dobbin, 2009; Fligstein, 2001; Hannan, Pólos, & Carroll, 2007). For instance, Hiatt, Sine, and Tolbert (2009) found that the Woman’s Christian Temperance Union (WCTU) was responsible for legislative changes that caused the soft drink industry to flourish at the cost of the brewing industry. However, corporations are not defenseless and are capable of targeting the state themselves to prevent or weaken potential political restrictions. Indeed, corporations are increasingly considered as political actors who are perfectly capable of responding to activists’ accusations (e.g., Hillman, Keim, & Schuler, 2004; Schuler, Rehbein, & Cramer, 2002; Walker & Rea, 2014). Whenever activists gain access to political constituencies, corporations will in all likelihood mobilize to weaken potentially harmful policy changes (e.g., Braithwaite & Drahos, 2000; Fridell, Hudson, & Hudson, 2008; King & Pearce, 2010; Murphy, 2006) and use a readily available repertoire of political actions (for a literature review, see Walker & Rea, 2014). Therefore, legislative arbitrage likely entails pressures from both corporations and activists.

While activists and corporations can impact legislative resolutions, the political opportunity structure (POS) theory ascribes an important role to the state in allowing grassroots political involvement. A wealth of literature has suggested that a state’s openness to grassroots involvement impacts the efficacy of activists in altering legislation (e.g., Beyeler & Rucht, 2010; Dalton, Recchia, & Rohrschneider, 2003; McAdam, 1996; Meyer & Minkoff, 2004; Snow, Soule, & Cress, 2005; Vrábliková, 2013). Likewise, corporations face these political opportunities in a comparable way (Davis & Thompson, 1994; Jenkins & Eckert, 2000; Meyer & Staggenborg, 1996). We can also find support for this in Corporate Political Action (CPA) theory, which suggests that the relative receptivity of a state to corporate political action underlies corporate efficacy in impacting legislative outcomes (for a review, see Lux, Crook, & Woehr, 2011). Interestingly, recent studies find that a state’s openness

to grassroots involvement can result from activist protests directly targeting a corporation, termed “private politics” (King & Pearce, 2010). For instance, McDonnell and Werner (2016) showed that corporations’ opportunities to interact with the state are hampered when activists directly target the corporation because political actors do not want to be associated with contested corporations (see also Pontikes, Negro, & Rao, 2010). Therefore, we posit that reciprocal interactions between activists, corporations, and the state must be acknowledged in order to understand legislative resolutions (see also Rao, Yue, & Ingram, 2011)

We recognize that previous work yielded important insights into the influence of activists and corporations on legislative outcomes. However, we argue that these studies have shortcomings by not embracing the reciprocal interactions between the three entities of activist, corporation, and state that are likely to occur. We believe these interactions are particularly profound in the case of highly contested legislative issues—for instance when a contested industry is involved in legislative arbitrage. The tobacco industry is a prime example of such a contested industry (Hsu & Grodal, 2015; Simons et al., 2016). Firstly, contested industries often have low levels of legitimacy because they face disapproval from society (Durand & Vergne, 2015; Vergne, 2012). Consequently, contested industries are likely to trigger activism. Secondly, political actors are reluctant to be associated with a contested industry because their practices are considered “offensive, inappropriate, or harmful” (Davidson, 2003, p. 2; McDonnell and Wener, 2016). Since contested political issues are likely to trigger fierce debates among state, activist, and corporate actors, we believe that contested industries (and legislative issues) are theoretically interesting to test our conceptualization of legislative arbitrage.

In this study, we aim to address the gap in the literature by exploring how simultaneous interaction between activists, corporations, and the state affect legislative outcomes. We propose that legislative outcomes result from arbitrage between pressures posed by activists and corporations that can be particularly profound in contested industries such as the tobacco industry. We draw on POS theory and CPA theory to build our conceptual model of legislative arbitrage. To empirically test the model, we analyze how the strictness of tobacco legislation evolved in twenty-one European countries covering the period from 1980 to 2012. This study makes a contribution to several areas of research. Firstly, it contributes to research on “private politics” (King & Pearce, 2010) in the social movement theory context by showing that interactions between activists and corporations do not always escalate into spillover effects in constraining or enabling grassroots political involvement (see McDonnell & Werner, 2016). Secondly, it extends current theorizing about the state’s role in legislative change, which activists and corporations provoke. Whereas prior research claims that the policy-influence efficacy of activists is enhanced by the structural configurations of political contingencies (Kitschelt, 1986; Kriesi, 1995, 2004), this study demonstrates that the activists’ influence on policy does not always relate to political contingencies but rather to the presence of large and visible corporations. Although academics claim that the efficacy of the corporations’ influence on policy relates to the structural arrangement of political contingencies (Mizuchi, 2004; Perrow, 2002; Walker & Rea, 2014), the researchers’ findings differ from this assessment. Thirdly, the authors build on the call of Walker and Rea (2014) to include corporations in the social movement policy analysis; they stress that the presence of powerful corporations influence the dynamics and complexity of policy processes and, consequently, its outcomes. This study is one of the first to empirically demonstrate how activists, corporations, and the state interact and how they subsequently influence policy outcomes. Our research provides alternative explanations for policy outcomes, which could not be found by studying the political actions of activists or corporations in isolation.

## Theory and hypothesis

### *The Moderating Role of State Openness on Activists' Legislative Influence in a Contested Industry*

Activists can show their discontent with a corporation through protests targeted at the state because the state can exert a powerful influence on the structure and survival of corporations (e.g., Fligstein, 2001; Hannan et al., 2007; Hiatt et al., 2009). However, previous research on the political significance of activists have yielded different results. On the one hand, some studies have found a relatively strong political influence by activists (Baumgartner & Mahoney, 2005; Berry, 1999), while, on the other hand, other studies have argued for a more nuanced view on the political involvement of activists—such as in the legislative processes (Burstein & Linton, 2002; Burstein & Sausner, 2005). These differences in political influence can be explained by POS theory that ascribes a moderating role to the political system's structural arrangements against the effectiveness of activists in provoking legislative change. The structural arrangements of particular political systems provide opportunities for political involvement by activists. A positive outcome of activism is likely to increase when activists are exposed to a relatively favorable political context, which is open to contingent opportunities for political involvement, as in legislative processes (Obach, 2010).

Although POS theory is criticized for placing too much emphasis on structural political system arrangements and too little emphasis on situational arrangements—that is to say, specific contested issues (Giugni, 2004), we argue for the relevance of POS in studying activists' political significance for two reasons. Firstly, social movement studies demonstrate the important moderating role of POS in activists' legislative influence (Beyeler & Rucht, 2010; Dalton et al., 2003; McAdam, 1996; Meyer & Minkoff, 2004; Snow et al., 2005; Vráblíková, 2013), and it is common practice to include POS principles in activists' political efficacy studies. For example, Cornwall, King, Legerski, Dahlin, and Schiffman (2007) found that, although the women's suffrage movement had sufficient resources to mobilize, their political impact remained limited due to a lack of political opportunities. Amenta (2006) found comparable results with the Townsend Plan Movement. Secondly, social movement scholars argue that corporations face political opportunities in comparable ways to activists (Davis & Thompson, 1994; Jenkins & Eckert, 2000; Meyer & Staggenborg, 1996). Therefore, in relatively favorable political contexts, it is likely that corporations also have opportunities to vie for political advantage and can seriously hamper activists' political significance (e.g., Braithwaite & Drahos, 2000; Cairney, 2009; Fridell et al., 2008; King & Pearce, 2010; Murphy, 2006). In other words, we posit that political opportunities can have a direct influence on the political impact of activists in terms of enabling or constraining political involvement. Furthermore, we posit an indirect influence of political opportunities on activists' political significance, since political opportunities are likely to trigger corporate contestation that can hamper activists' actions.

A key dimension of the political opportunity structure is the "openness", or closed access, of a state's political system (McAdam, McCarthy, Zald, & Mayer, 1996), which can provide opportunities for grassroots political involvement. The openness of a political system is a function of two structural arrangements: the relative centralization of political authority (Tsebelis, 1995); and the degree of political pluralism (Koopmans & Kriesi, 1995; Kriesi, 2004). Firstly, the centralization of authority affects the number and accessibility of veto players. Veto players are political actors and institutions from whom an agreement is sought to change the status quo (Tsebelis, 1995) through, for example,

legislative reform. Decentralized states arguably have a higher number of, and more accessible, veto players compared to centralized states. Secondly, political pluralism is the recognition and affirmation of diversity within a political system, which permits the peaceful coexistence of different interests, convictions, and lifestyles (Kriesi, 2004). Hence, the number of parties in the political system reflects this degree of “diversity” (Koopmans & Kriesi, 1995; Kriesi, 2004). Therefore, in decentralized states and in situations of high political pluralism, activists are more likely to find and influence supportive players—also considered “political allies”—in comparison to centralized states and in situations where political pluralism is lower (Amenta, Caren, & Olasky, 2005; Isaac, 2002; Stearns & Almeida, 2004).

Hence, we argue that the openness of a political system increases the ability of anti-tobacco activists to find and influence supportive political allies, creating a favorable political context in which to change tobacco legislation (Koopmans & Kriesi, 1995; Norris, 2008; Tsebelis, 1995). Although we suggested that corporations encounter comparable political opportunities as activists, we suggest this is less prevalent for corporations belonging to a contested industry, such as the tobacco industry (Hsu & Grodal, 2015; Simons et al., 2016). Contested industries are referred to as “evil, shunned and/or sinful” and are confronted with continuous societal debate over their “right to exist” (Cai, Jo, & Pan, 2011; Fabozzi, Ma, & Oliphant, 2008; Hong & Kacperczyk, 2009; Leventis, Hasan, & Dedoulis, 2013; Schneiberg & Clemens, 2006). Irrespective of the increased potential to ally with political actors in more “open” political systems, contested industry corporations may have access blocked because political actors do not want to be associated with them. If we assume that political actors are focused on re-election and are risk averse (Hiatt & Park, 2013; Mayhew, 1974; Werner, 2015), it is likely they will block access to corporations that are subject to societal disagreement. Simply put, political actors perceive the likelihood of accruing incidental damage when they associate with an industry that is highly scrutinized, such as the tobacco industry (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010). Thus, although we agree that corporations encounter political opportunities in comparable ways to activists, we posit that activists experience greater ease in exploiting these opportunities when “fighting” a contested industry. Therefore, we suggest that activists in countries with relatively open political systems are provided with greater opportunities to effectively influence legislation—such as the strictness of tobacco legislation. Formally stated:

**HYPOTHESIS 3.1** *The more open a country’s political system, the stronger the influence of activist mobilization on the strictness of tobacco legislation.*

### ***The Moderating Role of State Openness on Corporate’s Legislative Influence in a Contested Industry***

Legislation can certainly restrict corporate behavior, but corporations do not passively accept (potential) legislative changes. Instead, corporations actively engage in political actions to influence the outcomes of legislative processes (for a social movement theory perspective, see e.g., Fridell et al., 2008; Ingram & Rao, 2004; Schneiberg, King, & Smith, 2008 and from an organizational theory perspective, see e.g., Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004). Corporate political activities include a repertoire of tactics, such as lobbying and grassroots mobilizations, to influence political actors (for a recent literature review, see Walker & Rea, 2014). Organizational scholars often relate industry size to the political significance of industry (for a recent literature review, see Lux et al., 2011). Also, social movement scholars acknowledge that resource-endowed industries accrue the power of states (Simons & Ingram, 2003; Strange, 1996). Taking a rational investment perspective, the

main argument is that industry size increases the availability of resources that can be deployed to gain political significance (Grier, Munger, & Roberts, 1994). Moreover, the size of the tobacco industry in a particular country is an indication of the industry's resources it can deploy to gain political influence. Indeed, in tobacco policy studies, it is common practice to associate a tobacco industry's size with its influence on legislation (see e.g., Gilmore & McKee, 2004).

Although we believe these studies provide important insights, we argue that they adopt an oversimplified relation between industry and legislative influence. Corporations face political opportunities in similar ways to activists (e.g., Davis & Thompson, 1994; Jenkins & Eckert, 2000; Meyer & Staggenborg, 1996). Thus, corporations are more likely to be involved in and able to influence legislative processes when an "open" political system provides opportunities. Consequently, in countries where an industry has more political resources to influence legislation and a political system largely tolerates corporate political action, legislation is likely to be less strict. However, we argue that this relation is likely to be the exact opposite in the case of contested industry involvement, such as the tobacco industry. Although a contested industry encounters opportunities to influence political actors, the industry may gain no or only limited access to political actors because politicians do not want to be associated with corporations that are subject to social disapproval (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010). We suggest that this effect is especially strong when contested industries are large and its "societal disapproval" is highly conspicuous (Marquis & Toffel, 2012) because the industry is more "socially exposed" than smaller industries (see Miles, 1987). Indeed, scholars argue that the salience of contested issues makes political actors more likely to respond to public opinion (Baron, 2001; Bonardi, Hillman, & Keim, 2005) than to corporate voices, such as from the tobacco industry (Bonardi et al., 2005). In "open" political systems, more accessible political actors can provide a channel for public opinion and thus create within-system pressures on legislative processes. Therefore, in countries with large tobacco industries, issues around tobacco tend to be salient, and political actors are likely to follow public opinion, resulting in stricter tobacco legislation. Formally stated,

**HYPOTHESIS 3.2** *The more open a country's political system, the stronger the influence of industry size on the strictness of tobacco legislation.*

### ***The Interaction between Activist and Corporate Legislative Influence in a Contested Industry***

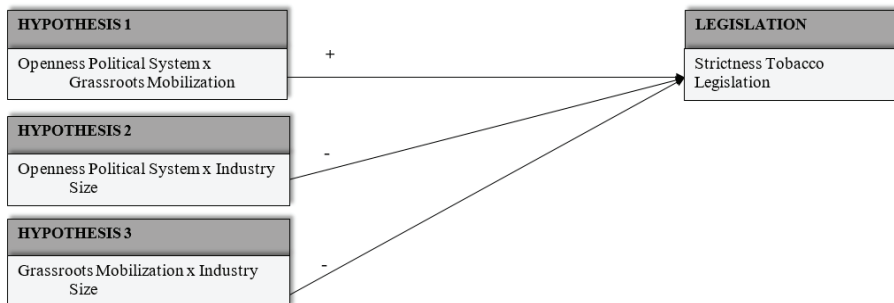
State-activist and state-corporation interactions are well documented in the literature. The conditions that underlie activist and corporate efficacy in influencing legislation is well documented. Recently, scholars began to study the interaction between the tactics that activists and corporations use to influence political actions. It is to be expected that corporations will vigorously expedite their political activity when they face threats from activists regarding legislative changes (Walker & Rea, 2014) and vice versa. Both activist and corporate political actions can impact each other's political efficacy. Scholars found that corporate counter-tactics can limit activists' political influence (e.g., Braithwaite & Drahos, 2000; Fridell et al., 2008; King & Pearce, 2010; Murphy, 2006). Moreover, they discovered that activists' tactics can impair the political influence of corporations by shutting down the opportunities for political involvement, such as in legislative processes (King, 2008; McDonnell & Werner, 2016). In other words, the tactics of corporations and activists can limit each other's efficacy in making an impact on legislation. However, the literature is relatively silent on explanations of how political actions by one transcend the political action of another and impact political outcomes (for a

recent exception, see McDonnell & Werner, 2016)

We propose that the efficacy of activists in influencing legislation increases when activists face a large, contested industry. We have suggested that the larger the contested industry, the more likely its “societal disapproval” is highly salient because the industry is more socially exposed and open to public scrutiny. Since political actors do not want to be associated with these socially disapproved industries (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010), it is likely they will respond to public opinion (Baron, 2001; Bonardi et al., 2005), to secure their own legitimacy (Hiatt & Park, 2013; Mayhew, 1974; Werner, 2015). Facing large and visible industries, activists are capable of “problematizing” issues for the public and raising public awareness (Benford & Snow, 2000; King, 2008; Maguire & Hardy, 2009), so contested issues become even more salient. As a consequence, political actors are likely to be more aware of the issues that are perceived as of greatest importance to the public (Denzau & Munger, 1986; Kingdon, 1984) and spill over into political decisions (McDonnell & Werner, 2016). In other words, we posit that contested issues become more salient and politically charged when activists directly target large, contested industries. Therefore, in the case of the tobacco dispute, we argue that, in countries with more anti-tobacco activism and larger tobacco industries, it is more likely that tobacco legislation is strict because political actors are more aware of and respond to public opinions.

**HYPOTHESIS 3.3** *The stronger the mobilization of activists, the higher the negative influence of industry size on the strictness of tobacco legislation in a country.*

Figure 3.1 gives an overview of the conceptual model, which predicts whether and to what extent activists, the tobacco industry (jointly), and the openness of the political system influence the strictness of tobacco legislation.



**Fig. 3.1** Conceptual Model: the Impact of Activists and the Tobacco Industry on the Strictness of Tobacco Legislation

## Methods

### Sample

To assess the influence of the state, tobacco corporations, and activists on tobacco legislation, we created a dataset covering twenty-one European countries over the 1980–2012 period. Our strategy was to include as many countries as possible. Due to data availability, our dataset includes the following countries: Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Germany,



Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Spain, Sweden, Ukraine, and the United Kingdom. Due to the collapse of the Union of Soviet Socialist Republics (USSR), the dataset is unbalanced—that is to say, the dataset covers different periods per country. Specifically, the dataset covers the 1990-2012 period for the following countries: Croatia, the Czech Republic, Slovenia, and Ukraine. Moreover, the dataset includes the 1989-2012 period for the following countries: Bulgaria, Cyprus, Germany, Poland, and Romania. Finally, the dataset for Hungary covers the 1988-2012 period.

## ***Dependent Variable***

### *The strictness of tobacco legislation*

Data on tobacco legislation came from two data sources: the Tobacco Control Database (WHO, 2015) and the Tobacco Control Laws (Consortium, 2015). We selected these data sources because they provide English translations of tobacco legislation for most European countries and cover a substantial period. The databases provide translations not only of promulgated legislation that remains in effect but also of partially and fully repealed laws. The two databases complement each other and enable triangulation. In the case of conflicting data, we turned to national legislative databases for definitive answers. This was the case for Belgium, Germany, and the Netherlands where we turned to the following databases, respectively: BelgieLex, the Centre for German Legal Information, and Overheid.nl. After collecting all the relevant legislation, a categorization framework was constructed to determine the relative strictness of the tobacco legislation. The framework includes four main categories—direct advertisement, indirect advertisement, distribution, and publicly accessible places—and twenty-one sub-categories. The next step was to thoroughly analyze the legislation and code it, per category, for the year in which the tobacco legislation was adopted and whether the legislation resulted in one of the following: no restriction (coded “0”) or total ban/prohibition (coded “1”). This method enabled us to show the relative strictness of tobacco legislation per country and per year within the 1980-2012 period. The strictness of legislation was operationalized as the number of total bans/prohibitions for all categories at a point in time  $t$ , using the formula:

$$\text{leg.strict.}(t)=\Sigma(\text{nr.direct adv.}(t); \text{nr.indirect adv.}(t); \text{nr. distr.}(t); \text{nr.pub. places}(t))$$

Theoretically, legislative strictness can range between “0”, which indicates no bans/prohibitions for all categories, and “21”, which shows bans/prohibitions for all categories. Then, the strictness of tobacco legislation in the year 1980 in the dataset is the number of prohibitions/bans stemming from tobacco legislation in 1980 and before. In the year 2012, the strictness of tobacco legislation is the number of prohibitions/bans in the year 1980 plus the number of prohibitions/bans following the legislative changes. The strictness of legislation in any year during the 1980-2012 period is the number of prohibitions/bans in the year 1980 plus the number of prohibitions/bans from legislative changes up to that point in time. The number of bans/prohibitions can in theory drop over the years and, consequently, bolster tobacco legislation. However, we did not observe a decrease in strictness in the dataset per country. Instead, the strictness of tobacco legislation progressively increased for all the sampled countries.

## ***Independent Variables***

### *Openness Political System*

To test Hypothesis 3.1, we created a variable that captures the relative openness of a political system through its relative decentralization multiplied by legislative fractionalization (Kitschelt, 1986; Koopmans & Kriesi, 1995; Kriesi, 2004). Decentralization is operationalized as a function of the centralization of power and the separation of powers (Kriesi, 2004). Firstly, the centralization of power is calculated according to the distribution of money among local and regional authorities. A higher centralization of power is ascribed to a political system with a lower distribution of money. The data was captured from the Democracy Time-Series Database (Norris, 2008). Secondly, separation of powers entails the formal and effective distribution of power between legislative, executive, and judicial institutions (Kriesi, 2004). More power clustered around a single institutional entity indicates a lesser separation of powers. We retrieved data from the Political Constraint Index (POLCON) (Henisz, 2013) because it is specifically designed to identify the separation of powers and the political constraints that arise from it. Legislative fractionalization proxies governmental instability and is operationalized as the relative diversity of parties in a legislature (Rae, 1968). The data was captured from the Comparative Political Data Set (Klaus, 2016). The variable openness was computed by multiplying decentralization with legislative fractionalization. The resulting coefficient can range between 0 and 1. A coefficient closer to 1 would indicate a more open political system in a given country and year.

### *Likelihood of political mobilization*

Here, we consider the potential strength of anti-tobacco grassroots pressures on legislation, such as the availability of resources to activists on which they can draw. The variable rests on the assumption that activists can mobilize resources more easily if society is more politically active—in other words, willing to mobilize (Somma, 2014; Van Dyke & Dixon, 2013). We assume that society is highly likely to mobilize to express anti-tobacco voices in favor of stricter tobacco legislation. Most anti-tobacco activist groups were formed in the 1970s and 1980s (Davis, 1992) and, since then, they have been actively seek resources to support their cause (Cooper & Kurzer, 2003; Hastings & Angus, 2004). The likelihood of political action variable is computed from the following large-scale cross-national surveys: the European Values Study (EVS, 2015) and the World Values Survey (WVS, 2015). In these surveys, the respondents were asked whether they have (coded “1”), might (coded “2”), or would never (coded “3”) sign petitions (question e025), join boycotts (question e026), attend lawful demonstrations (question e027), join unofficial strikes (question e028), or occupy buildings or factories (question e029). Firstly, we created an integrative dataset from the EVS and WVS. Secondly, we estimated missing data between survey waves through linear interpolation techniques. Then, we calculated the variable likelihood of political action as the mean of the mean answer to the five questions. The resulting coefficient ranges on a scale of 1 to 3. Due to methodological and interpretative considerations, we transformed the scale into a scale of 0 to 2 by reverse coding and centering at zero. A coefficient close to two then indicates a more favorable setting for activists; namely, a higher likelihood of having access to resources.

### *Tobacco industry size*

Following prior work, we argue that larger industries are more likely to receive attention from activists (Fleming & Spicer, 2007), and this is likely to result in more issue salience within a country (Benford & Snow, 2000; King, 2008; Maguire & Hardy, 2009). Ideally, the variable industry size is computed from the industry’s net sales, turnover, number of establishments, and number of

employees (for a recent literature review, see Lux et al., 2011). However, data availability issues hindered us from deriving industry size from these proxies. We, therefore, extracted the industry size from the tobacco industry's share in a country's gross domestic product (GDP) based on the following calculation: tobacco export number minus import number as a fraction of GDP. A higher coefficient signifies a relatively larger tobacco industry because its share in a country's GDP is high. The fraction can be negative if a country's import numbers exceed its export numbers. The tobacco import and export numbers, as well as the GDP, are extracted from the Comtrade Database (Comtrade, 2011) and the World Bank national accounts database (Worldbank, 2015b), respectively.

## **Control Variables**

### Smoking Rate of Society

Previous studies have associated tobacco legislation with the relative number of smokers in society (Nagelhout, Zhuang, Gamst, & Zhu, 2014). Tobacco legislation can be less strict in countries with a higher number of smokers. This means that the public's interest in tobacco legislation can increase, which results in higher issue salience compared to countries with fewer smokers. This issue salience is a predictor of legislative impact because political actors focus on the most salient issues and the legislative process can become more complex (Denzau & Munger, 1986; Hill & Hurley, 1999; Kingdon, 1984; McDonnell & Werner, 2016). The variable is derived from the following two databases: the Non-Medical Determinants of Health database (OECD, 2015) and tobacco control country profiles provided by the World Health Organization (WHO).

### Liberal Orientation of Society

Since liberals attach importance to matters of personal freedom, it is likely they will tend to react against stricter tobacco legislation. In other words, liberals are likely to consider tobacco usage as a matter of personal freedom in which government should not intervene (Kriesi, 1995). The variable is derived from the European Values Study (EVS, 2015) and the World Values Survey (WVS, 2015). In the survey, respondents are asked to indicate whether (question e032) they agree with two statements. The first is a statement that regards personal freedom as more important than the quality of life. The second statement prioritizes equality over personal freedom. Respondents can indicate whether they agree ("1"), disagree ("2") or neither agree nor disagree ("3") with the statement. We regard respondents with a mean answer closer to 1 as having a more liberal orientation. We weighted the individual response to create a population average. The variable was reverse coded to create a 0-1 interval scale, where a value close to 1 indicates a more liberal orientation of society in a country and in a certain year.

### Gross Domestic Product

We added a variable that captures the Gross Domestic Product (GDP) since this is common practice across nations. We divided the GDP per country by the total population within a country, resulting in the variable GDP per capita. Both GDP and total population are derived from the World Bank Database (Worldbank, 2015b).

### Life Expectancy

Politicians' overall public health concerns are related to public health interests in tobacco legislation (for a recent paper, see Shickle, 2009). We expect that tobacco legislation is stricter in countries with a strong focus on public health than in countries with a weaker focus on public health. We included life expectancy as a variable, which indicates a country's attentiveness to public health

issues. A higher coefficient would signify a stronger focus on public health. We drew from the World Development Indicators, which is a database provided by the World Bank (World Bank, 2015a), to capture the data.

### *European Commission Pressure*

Political actors’ decisions are embedded in transnational structures, which can seriously limit their room for maneuver. Secondly, in tobacco control studies, it is common practice to include international pressure as an independent variable (Cairney, 2009; Mamudu, Cairney, & Studlar, 2015). Regarding tobacco legislation, the European Commission has adopted a series of directives that provide frameworks for domestic tobacco legislation. These directives are intended to harmonize tobacco legislation and to make tobacco legislation stricter in general. European Union member countries are obliged to transpose directives into domestic legislation. However, European Union member countries can deviate from directives by “doing more” than what is strictly required and adopting stricter legislative measures. We included European Commission pressures as a dummy variable in the analysis. That is to say, countries are coded “1” from the year they became a member of the European Union in the 1980-2012 period. Table 3.2 contains the descriptive statistics and correlations of all the independent variables.

### *Estimation Procedures*

To assess the effect of activist, corporate, and political arrangements on the strictness of tobacco legislation, we used random-effects negative binomial models. In the first instance, these models can adequately capture the panel data structure by combining the cross-sectional and longitudinal dimensions. In the second place, the models are suitable for estimating count variables. While both Poisson and negative binomial models can be used to estimate count variables, we used negative binomial models because of overdispersion in our data (McCullagh & Nelder, 1983). Theoretically, both fixed-effects and random-effects specifications can control for unobserved heterogeneity (Greene, 2003), which is likely to occur since our data is nested in European countries. However, we used random specifications because some variables are relatively time invariant—for example, openness political system. We conducted a Hausman specification test that confirmed the appropriateness of using a random specification over a fixed specification in our setting. We posit that, through the application of the Hausman specification test and the resulting random-effects specification combined with a rich set of the detailed control variable, we have effectively addressed any potential endogeneity (Hamilton & Nickerson, 2003).

We developed five models to test the hypotheses and an additional model to test the robustness of the findings. Model 1 is the null model and includes all the control variables, as well as the variables openness political system, industry size, and likelihood of political action. To test Hypotheses 3.1, which predicts the interactive effect of the tobacco industry and the state on tobacco legislation, we included the interaction term tobacco industry x openness political system in Model 2. To test Hypothesis 3.2, which predicts the interactive effect of activism and the state on tobacco legislation, we added the interaction term activist mobilization x openness political system in Model 3. Furthermore, we used Model 4 to test Hypothesis 3.3, which predicts the interactive effect of the tobacco industry and activism on tobacco legislation. Therefore, we included the interaction term tobacco industry x activist mobilization in Model 4. Finally, Model 5 was used to test the robustness of the interaction effects when they were added simultaneously to the regression model.

To avoid multicollinearity issues when testing interaction terms and to interpret results in a meaningful manner, we centralized all independent variables before entering them into the various regression models. We centralized the independent variables before creating their cross products to test the interaction hypothesis (Cohen, Cohen, West, & Aiken, 2003). The models were checked for potential multicollinearity problems. With VIF values ranging from 1.02 to 2.90, it was unlikely that the models would suffer from highly correlated predictors. Hence, the maximum VIF value of 2.90 does not exceed the threshold of four (Fox, 1991). We also checked the consistency of the newly developed scale, which measures legislative strictness. We used Cronbach’s alpha to check whether the four items of the scale consistently measured the construct of legislative strictness. The reported Cronbach’s alpha of .72 is acceptable for a newly developed scale (Nunnally, 1978). Furthermore, to compensate for potential simultaneity bias and to enhance any causality claims, we lagged tobacco legislative strictness by one year.

## Results

Table 3.1 presents descriptive statistics and the bivariate correlation matrix. Table 3.2 presents random-effects negative binomial models predicting the strictness of tobacco legislation among European countries. We first estimated a baseline model including only the control variables. Model 2 tested hypothesis 3.1, predicting that stronger activism and relatively open political systems tend to lead to stricter tobacco legislation. We find a positive and significant interaction effect, suggesting that the stronger the activism and the more “open” the political system, the stricter tobacco legislation tends to be. However, a closer look at the interaction revealed a cross-over interaction—also termed “qualitative” interaction (Peto, 1982b)—where we predicted a linear interaction. This suggests that when facing relatively “open” political systems, stronger activism predicts stricter tobacco legislation. When facing relatively “closed” political systems, *ceteris paribus*, stronger activism is associated with less strict tobacco legislation. These findings indicate the important role of political structural arrangement in activists’ political efficacy, which has been suggested in POS theory (Beyeler & Rucht, 2010; Dalton et al., 2003; McAdam, 1996; Meyer & Minkoff, 2004; Snow et al., 2005; Vráblíková, 2013). However, these results suggest that activists’ political efficacy is not simply captured in an “open” versus “closed” political system dichotomy. Faced with a “closed” political system, strong activism can still have a significant political influence but can have unintentional consequences—namely, less strict tobacco legislation. Figure 3.2 shows the predictive change in the strictness of tobacco legislation when activists face a certain degree of “openness” in the political system. This ranges from a closed political system—that is, characterized by high centralization of power and low pluralism, to open political systems that have decentralized power structures and high pluralism.

In Model 3, we tested Hypothesis 3.2, which suggested that a larger tobacco industry in a country with a relatively “open” political system would result in stricter tobacco legislation. In contrast to CPA theory suggesting that industry size positively affects the industry’s political efficacy, we suggest the opposite. Our main argument is that, when the industry is highly contested as in the case of the tobacco industry, its “societal disapproval” is highly salient, and political actors avoid being associated with the industry. (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010). In these situations, political actors are more likely to “listen” to public opinion (Baron, 2001; Bonardi et al., 2005) and vote accordingly; namely, in favor of stricter tobacco legislation. In support of our prediction, we found that the larger the tobacco industry and the more “open” the political system, the stricter legislation tends to be. Thus, in countries with a more “closed” political system, a larger tobacco industry is likely to

result in less strict tobacco legislation. Thus, we found evidential support for Hypothesis 3.2. Figure 3.3 shows the predictive change in the legislative strictness of tobacco legislation based on the interaction between the political system’s openness and tobacco industry size.

Finally, in Model 4, we test Hypothesis 3.3, which suggests that strictness of tobacco legislation can be influenced by spillover effects from activist–tobacco industry interactions. Our main argument is that activists are better able to “problematize” issues for the public and raise public awareness (Benford & Snow, 2000; King, 2008; Maguire & Hardy, 2009) when facing a large and contested industry. In turn, issue salience can have a spillover effect on political actors (Denzau & Munger, 1986; Hill & Hurley, 1999; Kingdon, 1984) and influence their political decisions (McDonnell & Werner, 2016). However, in contrast, we did not find support for a spillover effect and, therefore, Hypothesis 3.3 was not corroborated. Model 5 reveals that our findings remain robust when all interaction terms are added simultaneously to the estimation model.

### ***Results of Control Variables***

Some of the results of the control variables are also noteworthy. We assess them in Model 1, which is the baseline estimation. The results indicate that international pressures, proxied by European Union membership, have no significant impact on the strictness of tobacco legislation. While this contrasts with earlier work (see Cairney, 2009; Mamudu et al., 2015), it also does not fit the European Union’s efforts to harmonize domestic tobacco legislation. This result is important because it shows that the strictness of tobacco legislation can be explained by dynamics within countries, operating through grassroots mobilization and tobacco industry pressures. Concerning the liberal orientation of society, we observe that these views have no significant impact on the strictness of tobacco legislation. We controlled for the idea that tobacco legislation would be less strict in countries with a more liberal orientation due to a broadly shared understanding of smoking as a personal choice. Implicitly, this suggests that our measure of activist mobilization adequately captures the likelihood of anti-tobacco pressures on legislation. Hence, from the theoretical viewpoint of resource mobilization, it is less likely that pro-tobacco movements will mobilize or exert significant influence in a society that has a lower liberal orientation. It is simply the case that activists in these situations find it harder to procure resources for their cause (Cress & Snow, 1996; Zald, 1992)

**Table 3.1** Descriptive Statistics and Pairwise Correlations

Variable	Mean or Frequency	S.D.	1	2	3	4
1 Strictness tobacco legislation	21.36%		1.00			
	2 18.64%					
	3 3.05%					
	4 14.75%					
	5 9.15%					
	6 6.61%					
	7 5.08%					
	8 6.27%					
	9 3.22%					
	10 3.22%					
	11-18 8.65%					
2 Openness political system	2.22	0.26	-0.09*	1.00		
3 Industry size	0.02	0.26	-0.01	-0.13*	1.00	
4 Activist mobilization	0.65	0.20	-0.09*	0.27*	0.07	1.00
5 Liberal orientation of society	0.56	0.76	-0.14*	0.36*	0.07	0.07
6 Smoking rate society	29.46	7.00	-0.42*	-0.09	0.12*	-
7 Gross Domestic Product	19,562.76	16,457.75	0.39*	0.51*	0.01	0.41*
8 Life expectancy	76.07	3.29	0.34*	0.36*	0.08	0.52*
9 European Union pressure	35.08%		0.15*	0.10*	0.15*	0.13*
	1 64.92%					
		5	6	7	8	9
5 The liberal orientation of society	1.00					
6 Smoking rate of society	0.24*	1.00				
7 Gross Domestic Product	0.23*	-0.44*	1.00			
8 Life expectancy	0.04	-0.42*	0.75*	1.00		
9 European Union pressure	0.13*	-0.08	-0.14*	0.34*	1.00	

Table 3.2 Results of Panel Random-Effects Negative Binomial Models Predicting the Strictness of Tobacco Legislation in 21 Countries, 1980-2012

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
<b>Control variables</b>					
Liberal orientation of society	-0.13 (0.93)	0.49 (0.93)	0.62 (0.93)	-0.17 (0.93)	1.04 (0.94)
Smoking rate society	-0.05*** (0.01)	-0.01*** (0.01)	-0.04 (0.01)***	-0.05 (0.01)	-0.04*** (0.01)
Gross Domestic Product	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)
Life expectancy	0.29*** (0.03)	0.27*** (0.03)	0.27 (0.03)***	0.28*** (0.03)	0.26 (0.03)
European Union pressure	-0.12 (0.11)	-0.14 (0.11)	-0.17 (0.11)	-0.12 (0.11)	
<b>Independent variables</b>					
Openness political system	0.09 (0.32)	-0.12 (0.32)	0.09 (0.32)	0.07 (0.32)	-0.10 (0.36)
Industry size	0.04 (0.14)	1.37*** (0.36)	0.11 (0.15)	0.08 (0.15)	1.21*** (0.35)
Activist mobilization	-1.04*** (0.32)	-1.14*** (0.32)	-0.51 (0.33)	-1.04 (0.32)***	-0.63† (0.33)
<b>Interaction terms</b>					
Openness political system x Industry size		4.02*** (1.10)	6.29*** (0.96)		5.94*** (0.96)
Openness political system x Activist mobilization					3.39*** (1.06)
Industry size x Activist mobilization				-0.97 (0.98)	0.05 (1.15)
Constant	2.53*** (0.35)	2.43*** (0.34)	2.69 (0.38)***	2.50*** (0.34)	2.57*** (0.36)
Log Likelihood	-1014.54	-1005.51	-992.35	-1014.04	-985.77

Note: Standard errors are in parentheses. Number of observations = 499; number of countries = 21

†  $p < 0.10$ , \*  $p < 0.05$ , \*\*\*  $p < 0.001$ , two-tailed tests



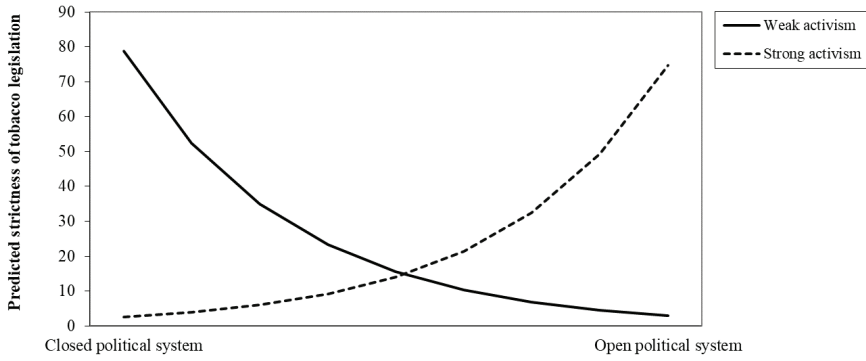


Fig. 3.2 Interaction Effect of the Openness of a Political System and Grassroots Mobilization on the Strictness of Tobacco Legislation

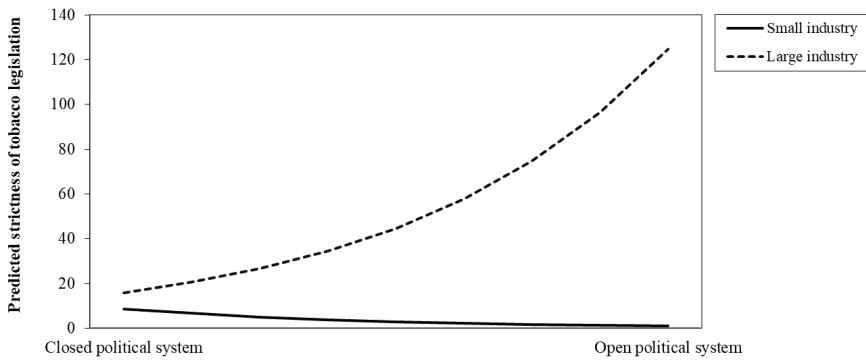


Fig. 3.3 Interaction Effect of the Openness of a Political System and the Size of the Tobacco Industry on the Strictness of Tobacco Legislation

## Discussion and conclusion

This study contributes to two research streams: Political Opportunity Structure (POS) theory and Corporate Political Action (CPA) theory. POS theory has a longstanding tradition in studying how activists turn to the state to elicit legislative changes that can significantly influence the structure and survival of corporations (Dobbin, 2009; Fligstein, 2001; Hannan et al., 2007; Hiatt et al., 2009). Corporations are not defenseless and are likely to respond to activist imputations (Hillman et al., 2004; Schuler et al., 2002; Walker & Rea, 2014), such as when activists gain access to political constituencies (Braithwaite & Drahos, 2000; Fridell et al., 2008; King & Pearce, 2010; Murphy, 2006). Therefore, legislative arbitrage is likely subject to interference by both activist and corporate pressures. However, studies have been shown to have shortcomings in not recognizing the simultaneous reciprocal interactions between the state, activists, and corporations that are likely to underlie the outcomes of legislative arbitrage. Responding to the call of Walker and Rea (2014; see also Fligstein & McAdam, 2012), we aimed to address this gap in the literature by exploring how the interaction between activists, corporations, and the state predict legislative outcomes. Using POS and CPA theory, we built an empirical model. The outcome of legislative arbitrage, more specifically the strictness of tobacco legislation, is studied by using a historical and cross-sectional research design. By using a unique dataset comprising data from twenty-one European countries in the period from 1980 to 2012, we found that both activist–state and corporate–state interactions explain the outcomes of legislative arbitrage. However, we did not identify a spillover effect of activist–corporate interactions on legislative outcomes.

In support of our suggestion, we found that activism interacting with a political system’s openness can trigger stricter tobacco legislation than in countries where less activism is evident. However, we found a “cross-over” (or “qualitative”) interaction (Peto, 1982b), suggesting that the effect of activism on tobacco legislation is the opposite depending on the relative “openness” of political systems. In countries with relatively open political systems, strong activism causes stricter tobacco legislation. Yet, facing relatively closed political systems, strong activism causes less strict tobacco legislation. In “open” political systems, activists are likely to experience greater ease in allying with accessible political actors (Amenta et al., 2005; Isaac, 2002; Stearns & Almeida, 2004), especially since the tobacco dispute is highly contested (Hsu & Grodal, 2015; Simons et al., 2016). This tends to make political actors likely to follow public opinion (Baron, 2001; Bonardi et al., 2005) to secure societal approval (Hiatt & Park, 2013; Mayhew, 1974; Werner, 2015). However, when facing “closed” political systems, activists are likely to face greater difficulties in accessing political systems. In fact, in these situations, strong activism causes less strict tobacco legislation. We suggest the following as a possible explanation for this finding. Assuming the tobacco industry mobilizes to attenuate the imputations of activists, it is likely that, in the context of “closed” political systems, tobacco disputes are engaged “outside” the political realm. Especially when activism is strong, we can expect a fierce and highly salient dispute as the tobacco industry seeks to counter activist actions. Consequently, without direct grassroots pressures, political actors will probably draw back from the salient debate, thereby making legislative compromises hard to establish (see also Johnson, 2008; King, Cornwall, & Dahlin, 2005; Olzak & Soule, 2009). The complexity arising from legislative arbitrage is associated with slower, less decisive, and less effective legislative processes (Koopmans & Kriesi, 1995; Norris, 2008; Tsebelis, 1995) and can result in less radical outcomes—namely, less strict tobacco legislation. Thus, we suggest that less accessible political actors are likely to draw back on contested issues since they are not directly influenced by activist or corporate forces. In other words, political actors may have more

room to maneuver since they are driven by pressures from their potential electorate to a lesser extent. Consequently, a rising dispersion on the contested issue is likely to result in less radical legislative outcomes since compromises need to be established.

While scholars argue that corporations face comparable political opportunities to influence legislation to activists (e.g., Davis & Thompson, 1994; Jenkins & Eckert, 2000; Meyer & Staggenborg, 1996), we add nuance to this view by suggesting that, for contested corporations such as the tobacco industry, these opportunities are fewer. Simply put, this is because political actors do not want to be associated with socially disapproved corporations or industries (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010), particularly when the industry is large and “socially exposed” (Miles, 1986), making its “societal disapproval” widely salient (Marquis & Toffel, 2012). Indeed, we found that large tobacco industries may not face comparable opportunities in the political system as experienced by anti-tobacco activists. We believe this finding contributes to both POS and CPA theory. Firstly, we posit that corporate opportunities for political impact depend on whether the industry is confronted with continuous societal disagreement over their “right to exist” (Cai et al., 2011; Fabozzi et al., 2008; Hong & Kacperczyk, 2009; Leventis et al., 2013; Schneiberg & Clemens, 2006). As Giugni (2004) suggested, opportunities for political impact can be situationally dependent. In disputes where a highly contested industry is involved, such as the tobacco industry, activists may face opportunities in an “open” political system but the industry may not. However, in situations where a less contested industry is involved, corporations may face opportunities in the political system in ways that are comparable to activists. We encourage scholars to further explore the relation between corporate political opportunities and the nature of the industry as a basis for further strengthening POS theory.

Secondly, we suggest that CPA theory can benefit by including the nature of the industry—contested or not—in studying the outcomes of corporate–state interactions. While CPA theorists have related industry structural parameters (e.g., size, concentration and competition) and political arrangements to industry’s political influence (for a literature review, see Lux et al., 2011), we argue that these studies can be enriched by including the nature of the industry. For instance, political receptiveness to corporate legislative demands is often related to political actors’ ideology (Grier et al., 1994; Kalt & Zupan, 1984). However, since association with a contested industry can cause incidental damage (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010), political actors’ averseness to risk and their preoccupation with re-election (Hiatt & Park, 2013; Werner, 2015) may dominate ideological concerns in granting industry access to them. Hence, we encourage CPA scholars to include the nature of the industry as a mechanism that potentially affects the efficacy of corporate political actions given the political context.

In contrast to our proposition, we did not find tobacco legislation to be stricter in countries with large tobacco industries and strong activism. We suggested that activists are better able to problematize issues for the public and raise public awareness when facing large and visible industries (Benford & Snow, 2000; King, 2008; Maguire & Hardy, 2009), which enhances political actors’ awareness of the issues (Denzau & Munger, 1986; Hill & Hurley, 1999; Kingdon, 1984). In these situations of issue salience, political actors are more likely to be compelled to respond to public opinion (Baron, 2001; Bonardi et al., 2005). In other words, activist–industry interactions could spill over on the political decision because these interactions could raise issue salience (see also Hiatt & Park, 2013). However, we did not find an interactive effect of activists and the tobacco industry on the strictness of tobacco legislation. We offer the following possible explanation for this finding. While activists can

problematize issues for the public and raise awareness (Benford & Snow, 2000; King, 2008; Maguire & Hardy, 2009), corporations are also capable of changing public perceptions. In the case of highly salient issues (Bonardi et al., 2005), corporations are especially likely to mobilize civil society as a strategy (Walker & Rea, 2014). Mobilization of the public can take place in diverse forms, such as funding advocacy groups (Rich, 2005) or engaging in grassroots mobilization (Vogel, 2003; Walker, 2009, 2012), which is termed “astroturf” or “fake grassroots”. Indeed, Oreskes and Conway (2011) showed the diverse ways in which the tobacco industry altered public opinion. We have made the assumption that political actors are compelled to act in response to public opinion (Baron, 2001; Bonardi et al., 2005). Especially in contested issues, political actors tend to follow public opinion because of their focus on re-election and their risk aversion (Hiatt & Park, 2013; Mayhew, 1974; Werner, 2015). However, if and how political actors act is hard to predict when very contradictory positions are adopted by different segments of the public.

## Limitations and Future Research

This study has the limitation that the dependent variable—strictness of tobacco legislation—is located at the end of the legislative processes. This study focuses on the outcome of legislative arbitrage and, consequently, no conclusions can be drawn on the interactive dynamics between activists, corporations, and the state, when disputes are playing out. Academics argue that different steps in the legislative processes form different leverage points for grassroots political influence (e.g., McDonnell & Werner, 2016; Pontikes et al., 2010; Rao et al., 2011). These studies suggest ongoing changes in the political context when legislative processes mature, and this can consequently alter the interactions between the entities. For instance, when activists face a “closed” political system at a certain stage in a legislative process, it makes more sense to target a corporation directly (e.g., King, 2008). Since this research studies—in retrospect—legislation resulting from the interaction between activists, corporations, and the state, we encourage academics to study these interactions from agenda setting to the end of the legislative process—namely, when the legislation is adopted.

Moreover, it can be interesting to apply our model to research on the tactics used by entities, which are prejudiced by the adoption of legislation. To the best of our knowledge, very little academic attention has been paid to market and non-market strategies, which activists and corporations use when they “lose” a legislative battle. This is surprising because theoretical and anecdotal evidence shows that no games are played after legislation is adopted. For instance, in The Netherlands, the majority of small bars, backed by a supportive public and the tobacco industry, ignored smoke-free regulations for hospitality venues and forced legislative change to the stricter tobacco legislation that had been adopted between 2008 and 2011 (Berelson, Lazarsfeld, & MacPhee, 1954; Simons et al., 2016). Corporations and activists can significantly benefit from such future research since their strategic choices between non-market or market strategies can then be justified.

This study puts pressure on activists, corporations, and the state in the political arena where the legislative discourse occurs. Unlike prior research, which focused on the interactions between the two activist–state and corporate–state entities, this study investigates the interrelation between all three entities to explain the legislation. The authors specifically focused on the impact that the tobacco industry and tobacco activists exerted—within the state’s political context—on the strictness of tobacco legislation in twenty-one countries. Our findings show that interactions occur between all the entities in the triad and that they exert an impact on the outcome of political discourses.

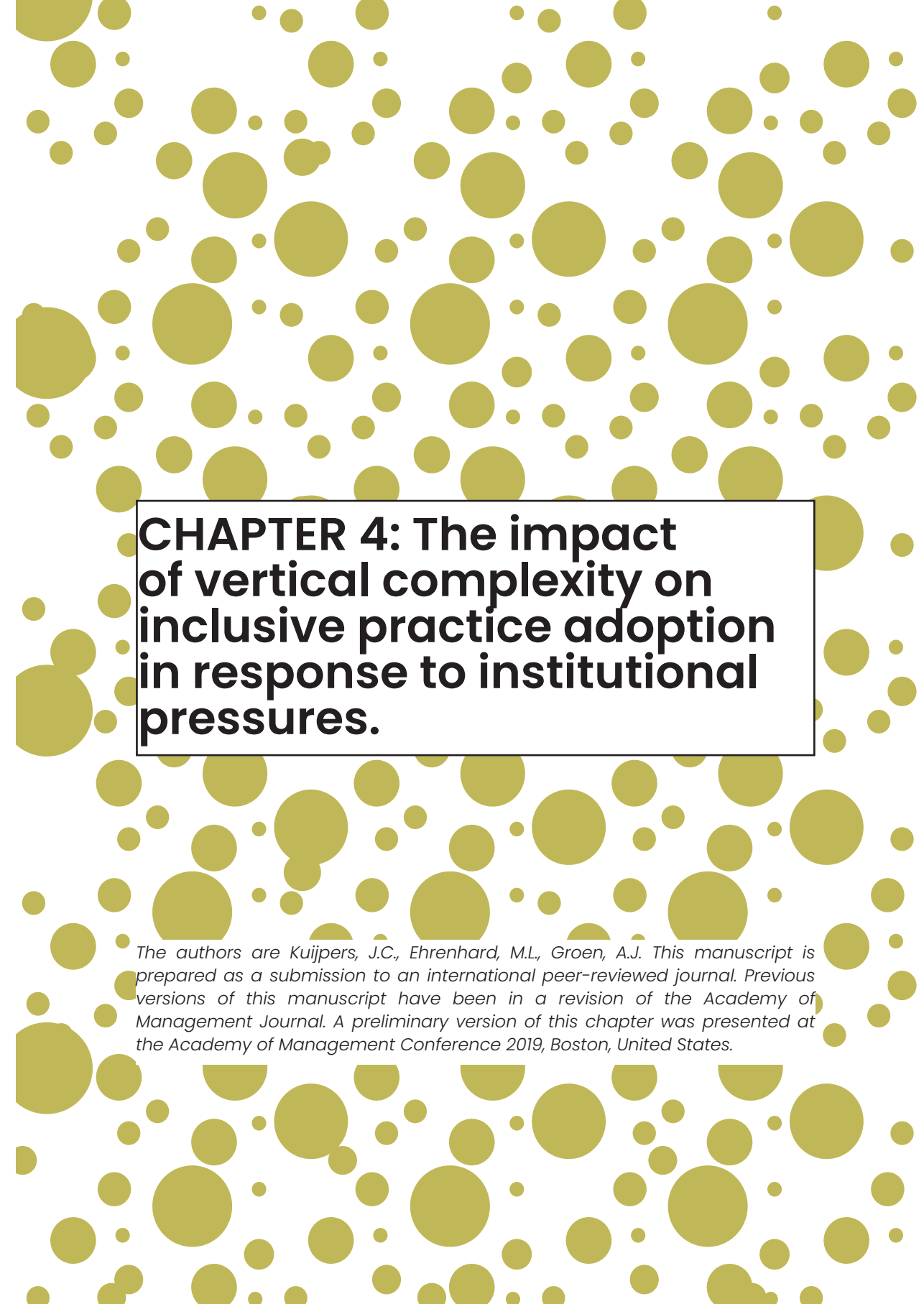
This study never intended to explain tobacco legislation by constructing a full model. Instead, it integrated organizational and sociological theories to develop a framework for studying the outcomes of political discourses in highly contested fields and to empirically test the framework in the tobacco control dispute. By studying them simultaneously and in a highly contested field, our findings stand in contrast to major and long-standing notions contained in POS and CPA theories. The researchers encourage academics to apply the framework in different settings and to different discourses to further strengthen its theoretical base.

## **Practical implications**

In addition to theoretical contributions, this study has certain practical implications. The research shows that activism makes legislative processes more complex and, therefore, activists can significantly benefit by stoking a fierce debate. When activists face large, contested industry within an "open" political system, they have a greater chance to influence legislation. We suggest that in "open" political systems, activists may benefit most by raising awareness of the contested issue and using non-market strategies to make political actors aware of the dispute so that the legislation is changed. However, in "closed" political systems, activists might think of ways to impact industry survival other than through legislative means. Furthermore, policymakers may also be interested in understanding how grassroots interaction impacts their legislative decisions. In highly contested domains, policymakers can potentially find it difficult to effectively adopt legislation because grassroots pressures are fierce. On a transnational level, such as the European Union, policymakers can be more stringent in prescribing national legislation through directives. Directives must be translated into state legislation, thereby creating fewer opportunities for the state's political actors to listen to and act on grassroots legislative demands.







## **CHAPTER 4: The impact of vertical complexity on inclusive practice adoption in response to institutional pressures.**

*The authors are Kuijpers, J.C., Ehrenhard, M.L., Groen, A.J. This manuscript is prepared as a submission to an international peer-reviewed journal. Previous versions of this manuscript have been in a revision of the Academy of Management Journal. A preliminary version of this chapter was presented at the Academy of Management Conference 2019, Boston, United States.*



## CHAPTER 4: THE IMPACT OF VERTICAL COMPLEXITY ON INCLUSIVE PRACTICE ADOPTION IN RESPONSE TO INSTITUTIONAL PRESSURES

Studies have examined how institutional complexity—arising when prescriptions of institutional logics are incompatible and provide ambiguous specifications for organizations—affects organizational responses to institutional demands. However, less attention has been spent on how incompatible prescriptions from logics operating on different hierarchical levels—termed “vertical institutional complexity”—affect organizational behavior. While it is likely that organizations face incompatibilities in prescriptions from logics operating on the societal and regional level, we propose that organizational behavior is rooted in differences in constellations of societal and regional logics the organizations face. We test our theory by analyzing whether 17,218 organizations from 40 regions in The Netherlands adopted inclusive organizational practices between 2008 and 2014. We find that constellations of societal and regional logics indeed underlie organizational behavior. Counterintuitively, we observe that aligned prescriptions from societal and regional logics do not produce the greatest likelihood of inclusive practice adoption. We argue that this contrast suggests the need to integrate the state’s power structure into studies on organizational response to institutional demands—in particular, by incorporating whether institutional logics are supported by powerful constituencies. We believe our approach opens the door to further exploration of the concept of “vertical institutional complexity” and serves to enhance our understanding of organizational responses to institutional demands.

### Introduction

People with disabilities are frequently prevented from fully taking part in society and the economy because of environmental and attitudinal barriers (Commission, 2010). Therefore, the European Commission has identified eight areas for action, one of which is to promote the employment of people with disabilities in mainstream work. Specifically, this involves “enabling many more people with disabilities to earn their living on the open labor market” (Commission, 2010, p. 7). In pursuit of this objective, the European Commission employed a variety of instruments including policy measures. For instance, in 2000, the European Commission adopted Directive 2000/78/EC, which established a general framework for equal treatment in employment and occupation. European member countries are obligated to transpose European Commission Directives into societal legislation or face the threat of infringement procedures. As a consequence, the Dutch parliament has adopted a series of legislative changes such as the adoption of the “Act on Equal Treatment on Grounds of Disability or Chronic Illness” in 2003 and the “Act on Reintegration of Labour-disabled” in 2005. Despite the adoption of legislative prescriptions to promote the inclusion of people with disabilities in mainstream work, the adoption of inclusive practices by organizations varies per European member country and region within each member country. For instance, The Netherlands is the third European Member country—after the United Kingdom and Denmark—where disabled people report the highest barriers to employment (Eurostat, 2012). Furthermore, despite the societal inclusion legislation in force, there are major differences among organizations concerning the adoption of inclusive practices across Dutch regions (UWV, 2018).

Legislative prescriptions are frequently portrayed in an authoritative light (DiMaggio &

Powell, 1983; Fligstein, 1991; Gunningham & Johnstone, 1999; Gunningham, Kagan, & Thornton, 2003; J. W. Meyer & Rowan, 1977; Paternoster & Simpson, 1996), which underscores shortcomings in our understanding. According to legal endogeneity theory, legislative prescriptions are often highly obscure, fragmented, and ambiguous and, consequently, give organizations room to be more agentic (Suchman & Edelman, 1996). That is to say, the “right” response to legislative prescriptions are collectively constructed by drawing on a shared understanding of appropriate organizational behavior (see Edelman & Talesh, 2011; Edelman, Uggen, & Erlanger, 1999; Suchman & Edelman, 1996) termed “institutional logics” (Friedland & Alford, 1991). Thus, organizational response to legislative prescriptions is likely to be rooted in prevailing institutional logic (e.g., Coglianese & Nash, 2001; Edelman et al., 1999; Tyler, Callahan, & Frost, 2007). However, the impact of legislation on organization behavior (e.g., DiMaggio & Powell, 1983) and the impact of institutional logics on organizational behavior (e.g., Lee & Lounsbury, 2015) are yet to be studied in distinct veins (for one exception, see Greenwood et al., 2010). Consequently, we have a limited understanding of the role of institutional logics in the relationship between legislative prescriptions and organizational behavior.

Besides, every organization faces multiple institutional logics, operating on different levels—namely, the societal level (e.g., Biggart & Guillén, 1999) and the regional level (e.g., Marquis & Lounsbury, 2007). However, we know even less about how these particular constellations (Lee & Lounsbury, 2015; Reay & Hinings, 2005) of logics impact organizational responses to legislative prescriptions. The constellations can consist of relatively compatible logics but also incompatible logics in terms of guiding organizational behavior. For instance, logics can share overlapping goals and the means to achieve them (Lee & Lounsbury, 2015), offering unilateral guidance in the collective construction of the “right” response to legislative prescriptions. However, constellations can also consist of relatively incompatible logics, so that one logic offers guidance in one direction and another is silent or steers in another direction (Gehman, Lounsbury, & Greenwood, 2016). In the latter situation, constellations of logics can create a source of conflict for organizations, which is termed “vertical institutional complexity” (see Greenwood, Raynard, Kodeih, Micelotta, and Lounsbury, 2011). Thus, although the role of logics on organizational behavior is extensively studied (on the societal level, e.g., Ocasio, Loewenstein, and Nigram 2015; Thornton, Ocasio and Lounsbury, 2012; on the regional level, e.g., Lee and Lounsbury, 2015; Greenwood et al., 2010), we believe that critical gaps are created by neglecting the role of constellations of logics in organizational responses to legislative prescriptions.

In this study, we develop a model of how particular constellations of institutional logic impact organizations’ transformation of legislation into behavior by adopting new organizational practices. We theorize that the geographical location of an organization defines the particular constellation of societal and regional institutional logics that the organization encounters. We posit that constellations of logics influence the ambiguity and specificity an organization faces in its transformation of legislative prescriptions into concrete organizational strategies. Utilizing the relative compatibility of institutional logics (Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005) and their guidance in shaping legislation (Coglianese & Nash, 2001; Edelman et al., 1999; Tyler et al., 2007), we have developed a model to predict organizational behavior in response to legislative pressures.

Empirically, we examine the adoption of inclusive organizational practices—practices that facilitate the inclusion of people with disabilities in organizations in The Netherlands. Since the European Union adopted Directive 2000/78/EC on equal treatment in employment and occupation,

the Dutch Parliament has adopted legislative measures to accelerate the adoption of inclusive practices. Since the adoption of inclusive practices is compulsory for organizations in terms of legislation, this context is ideal for our research objective. Hence, organizations are likely to actively construct meaning from the legislation and respond strategically, in contrast to legislation that enforces compliance. We distinguish between logics operating on the societal and the regional level, and we assess their relative favorability to inclusive practices. That is to say, we seek to determine the likelihood that institutional logics define the inclusive practice as appropriate organizational behavior and, consequently, facilitate the transformation of inclusive legislation into concrete organizational behavior.

Using data from the period 2008–2016 on 17,218 organizations, we scrutinize inclusive practice adoption across 40 regions in The Netherlands. This study contributes to several areas of research. Firstly, we extend the insight that logics acts as a filter through which an organization responds to legislative pressures (Lee & Lounsbury, 2015; Thornton et al., 2012). Moreover, we augment the work on institutional complexity (for a review, see Greenwood et al., 2011) by concentrating on vertical institutional complexity. In particular, we find that, in situations of vertical institutional complexity, organizations tend to “prioritize” societal logics over regional logics in their strategic response to legislation. Furthermore, we theorize that legislation draws its meaning from institutional logics and, therefore, contrasts with most institutional studies that portray legislation as working in a top-down fashion on organizations. We contribute by showing that the diffusion of practices in response to legislation is highly influenced by constellations of institutional logics rather than the substantive law itself (Edelman, 2002, 2005, 2007; Edelman et al., 1999; Talesh, 2009)

## **Research context: Legislation on the adoption of inclusive articles in the Netherlands**

In 2000, the European Union’s Council adopted “Directive 2000/78/EC” on equal treatment in employment and occupation. European Union member countries are obliged to transpose directives into national legislation and policies. In 2003, the Dutch government transposed “Directive 2000/78/E” into legislation by adopting the “Act on Equal Treatment on Grounds of Disability or Chronic Illness”. The act protected against all forms of discrimination on the grounds of disability in employment, occupation, education, and housing. However, no explicit means were included to encourage the adoption of inclusive organizational practices that would enable the employment of people with disabilities in mainstream work. In 2005, the “Act on Reintegration of Labour-disabled” was adopted, which specifically aimed to promote the adoption of inclusive organizational practices by removing any obstacles that could potentially hamper its adoption by organizations. The act ascribes this role to the autonomous administrative authority “UWV”. In comparison to the 2003 Act, this statute intensified pressure to adopt inclusive practices by specifying the means to make the adoption of inclusive practices more attractive to organizations. However, the act exhibited relatively weak coercive institutional pressure on organizations to adopt inclusive practices.

In 2006, the Dutch government, social partners, trade unions, and employers agreed to facilitate the adoption of inclusive practices through collective bargaining agreements. Despite these efforts, the voluntary agreement did not result in enhanced adoption of inclusive practices by organizations (Arbeid, 2011). In 2010, an important change to the “Disablement Assistance Act for Handicapped Young Persons” was implemented by the Dutch government. The legislative changes aimed to encourage job-seeking behavior among disabled young people, steering them into work.

Since the legislation came into force, every young disabled person was to be given an individual participation plan. This plan specified all necessary support to find and maintain a job. Essentially, the act made the inclusion of the disabled an individual responsibility and the responsibility of the UWV but not necessarily of organizations. Nevertheless, organizations likely felt institutional pressure from the legislative change because the UWV, in line with its responsibility, was charged with actively approaching organizations to adopt inclusive practices.

At the beginning of 2015, the Dutch Government initiated an extensive reform of the employment of people with disabilities by adopting the “Participation Act”. The act replaced the “Work and Social Assistance Act”, the “Sheltered Employment Act” and, to some degree, the “Disablement Assistance Act for Handicapped Young Persons”. The statute aims to guide and support everyone eligible to work to find and maintain employment. The most important changes the act instituted were as follows. Firstly, the number of young handicapped benefitting under the “Disablement Assistance Act for Handicapped Young Persons” was to be greatly reduced. New applicants and all those currently in receipt of support were to be (re-)examined, and only those without working capacity would receive allowances. In the case of all others, municipalities were charged with the responsibility to provide support in guiding them into mainstream work. Secondly, the act established a societal agreement between the government and social partners to create 125,000 jobs for people with disabilities by 2023. Thirdly, the influx of people with disabilities into sheltered workplaces was to be heavily constrained. Only people with disabilities who, without reasonable support, cannot hold down mainstream work were to be provided with a sheltered workplace.

There have been several legislative changes in The Netherlands related to the employment of people with disabilities. Overall, coercive institutional pressures to adopt inclusive practice have become stronger and turned the adoption of inclusive practices into a shared responsibility of the Dutch government and organizations.

## **Theory and hypothesis**

### ***Institutional logics and organizational behavior in relation to legal endogeneity***

The main premise of the legal endogeneity theory is that the meaning of the law is derived from prevailing cultural norms (Edelman, 2002, 2005, 2007; Edelman et al., 1999; Talesh, 2009) or institutional schema (Sewell Jr., 1992). Organizational behavior is determined through a collectively constructed understanding of the “right” response to the law, rather than the substantive law itself (Coglianese & Nash, 2001; Edelman et al., 1999; Tyler, Callahan, & Frost, 2007). This active construction of response is especially likely in the case of laws regulating organizations and anti-discrimination laws such as those promoting the inclusion of people with disabilities. Firstly, the corporate lobby is often successful in softening regulation (Edelman et al., 1999). Secondly, laws regulating organizations tend to be broad and ambiguous, which provide ample room to construct meaning and compliance strategies (Edelman, 1992). Thirdly, anti-discrimination laws tend to be broad, ambiguous, and process oriented, which makes the means of compliance less obvious (Edelman, 2005).

We connect legal endogeneity theory with institutional theory in suggesting that organizational response to legislation is strongly related to institutional logics. Since institutional

logics define “(...) how to interpret organizational reality, what constitutes appropriate behavior and how to succeed” (Thornton, 2004, p. 70), it is likely that organizations draw on institutional logics to define the right response to legislation (Heimer, 1999; Miller, Le Breton-Miller, & Lester, 2010; Purdy & Gray, 2009; Zhao & Wry, 2016). For instance, institutional theorists found that organizational behavior in response to central institutional demands is heavily influenced by prevailing institutional logics (Greenwood, Díaz, Li, and Lorente, 2010). Considering the ambiguity of Dutch legislation on the adoption of inclusive practices, we argue it is especially likely that organizational response is rooted in prevailing institutional logics.

### ***Vertical institutional complexity and organizational responses to institutional pressures***

The relationship between institutional logics and the adoption of organizational practices is well understood. That is to say, organizations are likely to adopt organizational practices following institutional logics to become or remain legitimate in the eyes of a referent audience (e.g., Lounsbury, 2007; Thornton, 2002, 2004). Recently, scholars have established the relation between variation in organizational responses and the existence of multiple conflicting institutional logics, termed “institutional complexity” (Greenwood et al., 2011). However, most of these studies have focused on institutional logics operating on the same conceptual level—in particular, the organizational-field level of analysis (Binder, 2007; Dunn & Jones, 2010; Lok, 2010; Lounsbury, 2007; Marquis & Lounsbury, 2007; Pache & Santos, 2010; Purdy & Gray, 2009; Reay & Hinings, 2009). These studies enhance understanding of the variation in organizational practices by recognizing conflicting demands from institutional logics. However, they offer only a partial explanation by neglecting the hierarchical nestedness of institutional logics in a wider environment (Friedland & Alford, 1991) or embracing this nestedness only explicitly (Purdy & Gray, 2009; Thornton, 2002, 2004; Thornton & Ocasio, 1999). It is likely that incompatibilities from institutional logics operating on different hierarchical levels are sources of both institutional conflict and conformity and, therefore, underpin variation in organizational practices (see also Thornton, 2002).

We adhere to the argument of Friedland and Alford (1991) that the institutional logics shaping organizational practices are embedded in higher-order institutional logics. Building on this work (see also Thornton, 2002), we posit that organizations, communities, and society constitute three nested levels. Scholars found that organizational behavior is influenced by societal-level institutional logics (e.g., Bansal, 2005; Biggart & Guillén, 1999; York, Hargrave, & Pacheco, 2016). In a similar vein, scholars discovered that regional logics explain the variation in organizational practices (e.g., Lee & Lounsbury, 2015; Marquis & Battilana, 2009; Thornton & Ocasio, 1999). Given this nestedness, organizations can face varying levels of vertical institutional complexity, depending on the relative incompatibilities between societal-level and regional-level institutional logics. In other words, the relative influence of central institution demands is likely to be felt across communities, although the relative influence within any particular setting will likely vary. We identify four discrete situations: (a) relatively favorable societal and regional logics to legislative prescriptions; (b) relatively favorable societal but unfavorable regional logics to legislative prescriptions; (c) relatively unfavorable societal but favorable regional logics to legislative prescriptions; and (d) relatively unfavorable societal and regional logics to legislative prescriptions. Figure 4.1 provide graphic representations of our model. We posit that organizational behavior in response to institutional demands is seen in the quadrant that best reflects an organization’s institutional environment.

### ***Constellation of aligned unfavorable societal and regional logics and inclusive practice adoption***

An organization faces various institutional logics that are likely to operate on multiple hierarchical levels — namely, the societal and regional levels (Friedland & Alford, 1991). Building on earlier work, we propose that relative incompatibility between these logics is likely to influence organizational responses to legislation. That is to say, the transformation of legislation into concrete strategic responses by organizations is influenced by the behavioral guidelines provided by institutional logics. We have distinguished two situations. Firstly, a situation of vertical institutional complexity when societal and regional logics are relatively incompatible, and where the transformation of legislation into strategic responses by organizations becomes complicated. Secondly, a situation of relative alignment between societal and regional logics where the transformation of legislation is likely to be relatively simple. Compatible logics can synchronize (see Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005) and signal unambiguous guidelines on which organizations can act with confidence (Greenwood et al., 2011). In other words, Lee and Lounsbury (2015) argue that aligned logics share overlapping goals and the means to achieve them. We propose that relatively unfavorable societal and regional logics on inclusion are likely to synchronize and hinder organizations in transforming inclusive legislation into the adoption of inclusive practices. Hence, the constellation of less inclusive logics is not likely to draw the attention of organizations to inclusive legislation (Thornton, 2002, 2004; Thornton & Ocasio, 1999) and specify the adoption of inclusive practices as an appropriate organizational response to inclusive legislation (see Thornton, 2004). Therefore:

**HYPOTHESIS 4.1a** Organizations are least likely to adopt inclusive organizational practices in response to legislative prescriptions when both societal and regional institutional logics are relatively unfavorable to inclusion.

### ***Complexity within constellations of societal and regional logics and organizational responses to legislative prescriptions***

Greenwood et al. (2010) have compellingly argued that regional logics can conflict with societal logics (see also Friedland & Alford, 1991; Lounsbury, 2007; Marquis & Lounsbury, 2007; Thornton, 2002, 2004). Hence, they offer conflicting guiding principles on appropriate organizational behavior. Given this complexity, we follow Lee and Lounsbury (2015) in adopting the notion that regional logics act as first-order primary logics and play more dominant roles in directing organizational responses to institutional pressures than broader societal logics. This is because regional logics are embedded in social networks, and the availability of sustained social reinforcement and actor engagement is likely to heighten the salience of those regional logics. Thus, regional logics may become the basic schema through which organizations interpret pressures emanating from societal logics and central institutions (see also Greenwood et al., 2010; Helliwell & Putnam, 1995; Lee & Lounsbury, 2015). For instance, Marquis and Lounsbury (2007) showed that regional logics facilitated the creation of cooperative regional-bound mutual forms of governance in the insurance, dairy, and grain industries as an alternative to the dominant corporate logics and growing prevalence of joint-stock corporations. Thus, in situations of vertical institutional complexity where societal and regional logics are incompatible, we predict that organizations will tend to prioritize regional logics over societal logics.

In the context of the Dutch inclusion case, we posit that the decision by Dutch organizations to adopt inclusive practices in response to legislation is related to their geographical location. Hence, the geographical location of Dutch organizations defines the particular constellation of societal and regional logics that the organizations are exposed to. We distinguish two constellations where logics are incompatible. Firstly, Dutch organizations can face a relatively favorable societal logic and less favorable regional logic. Secondly, Dutch organizations can face a relatively favorable regional logic and less favorable societal logic. In both situations, Dutch organizations would face complexity, making the transformation of vague prescriptions from inclusive legislation into strategic responses rather convoluted. Although we posit that, in these situations, regional logics are prioritized over societal logics, we do not suggest that complexity is completely resolved. Therefore, we argue that the Dutch organizations' response to inclusive legislation is less predictable compared to situations where societal and regional logics are relatively aligned. Thus, given that prioritizing regional over societal logics does not fully resolve vertical institutional complexity and explain organizational responses, we propose:

**HYPOTHESIS 4.1b** Organizations are likely to adopt inclusive organizational practices in response to legislative prescriptions when regional logics are relatively favorable and societal logics are relatively unfavorable to inclusion. But they are less likely when societal and regional logics are both relatively favorable to inclusion.

**HYPOTHESIS 4.1c** Organizations are likely to adopt inclusive organizational practices in response to legislative prescriptions when regional logics are relatively unfavorable and societal logics are relatively favorable to inclusion. But they are less likely when regional logics are relatively favorable and societal logics are unfavorable.

### ***Constellation of aligned favorable societal and regional logics and inclusive practice adoption***

While conflicting institutional logics and their influence on organizational responses have been extensively examined (for a recent review, see Greenwood et al., 2011), studies on the influence of compatible institutional logics are relatively limited. However, it is not unthinkable that societal and regional logics can contain compatible guidelines on appropriate organizational behavior. In such a situation, societal and regional logics can reinforce each other by reducing potential disagreement over their prescriptions (Dunn & Jones, 2010; Pache & Santos, 2010; Purdy & Gray, 2009). In this, they can signal unambiguous ways for organizations to act confidently concerning institutional demands (Greenwood et al., 2011), by adopting organizational practices rather than choosing organizational behavior that is consistent with one set of logics and not the other (Yiu et al., 2014). For example, Greenwood et al. (2010) showed how family and regional logics reinforced each other and tempered the pressure emanating from market logic. In the case of inclusion in The Netherlands, regional and societal logics that hold compatible prescriptions regarding inclusion can synchronize (see Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005), mutually directing organizations to adopt inclusive practices in response to coercive institutional pressures. In this situation, organizations can face less discretion in their responses to institutional pressures since the logics they adhere to are unambiguous and specific about inclusive organizational practices (see also Greenwood et al., 2010). Therefore:

**HYPOTHESIS 4.1d** Organizations are most likely to adopt inclusive organizational practices in response to legislative prescriptions when both societal and regional institutional logics are relatively favorable to inclusion.

Figure 4.1 gives an overview of the conceptual model, which predicts the adoption of inclusive organizational practices in response to institutional pressures given societal and regional institutional logics.

		SOCIETAL LOGICS	
		UNFAVORABLE	FAVORABLE
REGIONAL LOGICS	UNFAVORABLE	<p><b>VERTICAL INSTITUTIONAL COMPLEXITY <u>LOW</u></b></p> <p>Organizations are likely to face unambiguous prescriptions from institutional logics</p> <p><b>Lowest adoption of practices in response to legislative prescriptions</b></p>	<p><b>VERTICAL INSTITUTIONAL COMPLEXITY <u>HIGH</u></b></p> <p>Organizations are likely to face ambiguous prescriptions from institutional logics</p> <p><b>Moderate adoption of practices in response to legislative prescriptions</b></p>
	FAVORABLE	<p><b>VERTICAL INSTITUTIONAL COMPLEXITY <u>HIGH</u></b></p> <p>Organizations are likely to face ambiguous prescriptions from institutional logics</p> <p><b>Moderate adoption of practices in response to legislative prescriptions</b></p>	<p><b>VERTICAL INSTITUTIONAL COMPLEXITY <u>LOW</u></b></p> <p>Organizations are likely to face unambiguous prescriptions from institutional logics</p> <p><b>Highest adoption of practices in response to legislative prescriptions</b></p>

Fig. 4.1 Conceptual Model: Vertical Institutional Complexity and Organizational Behavior in Response to Legislative Prescriptions

## Data and method

### Data and Dependent Variable

To assess the impact of a constellation of societal and regional institutional logics, we created a dataset covering 17,812 organizations located in 40 regions of The Netherlands. Our dataset comprises non-panel data for the period 2008-2014 on organizations' adoption of inclusive practices and prevailing societal and regional institutional logics. Data on the adoption of inclusive organizational



practices in response to vague legal prescriptions were derived from a large-scale survey “Werkgevers Enquête Arbeid” (WEA), kindly provided to us by the Netherlands Organisation for Applied Scientific Research (TNO). The WEA survey is held every two years and focuses on topics related to the organization of work. The survey is sent to 25,000 organizations with at least two employees and is stratified based on regions and sectors. From the survey sample of 25,000 organizations per year, approximately 5,000 surveys were sent back. Accounting for missing data, we have amassed a dataset of 17,812 organization-year observations. Our sample comprises 4,832 organizations in 2010, 4,571 organizations in 2012, 4,387 organizations in 2014, and 4,037 organizations in 2016.

Data on our dependent variable, adoption of inclusive practices, came from a survey question asking whether the organization deliberately employed one or more people with a disability in the last two years (question N053). Respondents were asked to indicate whether the organization includes people with disabilities (‘1’), do not include people with disabilities (‘2’), or do not know whether they include people with disabilities (‘3’). Since the latter was the case in, on average, 2.4% of the organizations per survey wave, we categorized these organizations as not employing people with disabilities in the last two years. Thus, we transformed the variable into a dichotomous variable. Consequently, the variable indicates whether an organization deliberately employs people with a disability (‘1’) or not (‘0’). It should be noted that organizations that deliberately employ people with disabilities are classed as having adopted inclusive practices in response to vague legislative prescriptions. To obtain a population average of organizations adopting inclusive practices, we weighted our data. The percentage of organizations adopting inclusive practices fluctuated from 13% to 16% per wave.

### ***Independent Variables***

To test the mechanism of constellations of societal and regional institutional logics in shaping organizations’ interpretation and transformation of vague legal prescriptions, we generated two items that capture respectively societal and regional logics’ favorability toward inclusive practices. In constructing the societal institutional logics item, we follow earlier institutional work (Boch Waldorff & Greenwood, 2011) and deduce institutional logics from elected political parties and their stances. The main idea is that electors vote for parties that are closest to their policy preferences (Downs, 1957) and that parties’ policy positions reflect those of their electorate. Firstly, for each election in the 2008–2014 period, we collected data on the number of seats for each party in the Dutch House of Representatives, to capture the relative share of policy stances—societal logics—in Dutch society. Secondly, we collected data on the policy stances of the political parties in the House of Representatives—in particular, on inclusive practices—to assess the relative favorability of societal logics to inclusion.

First of all, data on elections were collected from the Dutch electoral council’s website ([www.kiesraad.nl](http://www.kiesraad.nl)). Over the 2008–2014 period, there have been two elections, one in 2010 and one in 2012. The number of seats per party in the House of Representatives in 2008 was derived from the elections held in 2006. In a second step, we determined a party’s policy position on inclusion from its voting behavior on labor inclusive topics. Per the electoral period, 2006–2010, 2010–2012, and 2012–2016, respectively, we collected all motions, amendments, and bills that aimed to enhance the adoption of inclusive practices by organizations. These ranged from policy measures, through efforts to eliminate obstacles to inclusion, to measures to enforce the adoption of inclusive practices. We collected a total of 120 motions, amendments, and bills from OpenKamerbeta ([www.openkamer.org](http://www.openkamer.org)). We entered the full names and abbreviations of the applicable legislation on inclusion covering the election period. These

were “Wet Werk en Ondersteuning Jonggehandicapten” (“Wajong”), “Wet Werk en Bijstand” (“WWB”), and “Wet Sociale Werkplaats” (“WSW”). Afterwards, we analyzed every motion, amendment, and bill to ascertain its intention in relation to promoting the adoption of inclusive practices. This left us with a sample of 82 from our original sample of 120 motions, amendments, and bills. Then, we calculated, for every election period and every party, the total ratio of positive to total votes for all the motions, amendments, and bills presented in that period. The data on votes per party and per motion, amendment, and bill presented were derived from OpenKamerbeta ([www.openkamer.org](http://www.openkamer.org)). The ratio of a party’s positive to total votes fluctuated from 32.1% to 85.7%. The total sum of the product of the number of seats per party and the positive to total votes ratio per electoral period gives us a proxy of the relative favorability of societal logics to inclusion (Boch Waldorff & Greenwood, 2011).

Next, we included the item, regional institutional logic, to capture the relative favorability of the regional institutional logic to inclusive practices. To construct the measure, we compiled a list of three indicators from the sources documented in Table 4.1 that may signal a region’s relative favorability to inclusion. We applied two criteria to use these indicators in our analysis: (a) face validity as a favorable regional logic indicator, and (b) availability across regions and years. We discuss each of these indicators below, and we refer to their previous use in the relevant literature.

We began with measures of regional logics in social cohesion. Specifically, we concentrated on membership continuity and turnover (see McPherson & Smith-Lovin, 2002; Simons, Vermeulen, & Knoben, 2016). Residential stability has a “direct positive effect on social ties” (Sampson, 1991, p. 47) and promotes a region’s ability to “solve common problems”. In regions with high social cohesion, relational ties will likely develop through the interplay of building connections over time among regional residents (Kearns & Forrest, 2000). For instance, residential stability has a positive and highly significant effect on social bonds and the number of acquaintances in the region (Kasarda & Janowitz, 1974). Regions can thus offer resources for people with disabilities to establish relationships, gain support, and develop long-term friendships, which are measures of disabled inclusion (Beckman et al., 1998; Odom et al., 1996; Turnbull, Turnbull, & Blue-Banning, 1994). Hence, in regions with high residential stability, it is likely that regional logics are relatively favorable to disabled inclusion. Following Simons et al. (2016), we measure residential stability on (a) the number of people entering a region through residential moves relative to the number of inhabitants and (b) the number of people leaving a region through residential moves relative to the number of inhabitants. Separately, we calculated the ratio of new entrants and leavers to total inhabitants in the 2008–2014 period. We inverted the variables so that high scores on the variables reflect high levels of residential stability (Sampson, 1991). Since these two variables are highly correlated (.92), we averaged them to construct our final measure of residential stability.

Furthermore, we included a variable on regional kinship based on data from the Safety Monitor Survey that is held every two years. In this survey, a sample of approximately 70,000 respondents are asked questions about their living environment among other aspects. Some of these questions are designed to measure social cohesion, and we adopted a measure based on five items from this survey. Each item was answered on a five-point Likert scale, and our measure of kinship was based on the average answer drawn from the seven items. The data is captured from the Societal Residence Survey that is held every three years. In this survey, a sample of approximately 80,000 respondents are asked questions about their living environment among other issues. This measure is important because evidence shows that regional kinship promotes the development of ties that form support systems for

disenfranchised people such as those with disabilities (for a review, see Amado, Stancliffe, McCarron, & McCallion, 2013). Scholars have argued that regional kinship underlies personal and collective well-being (Wilkinson, 2002) since individuals are more likely to accept sacrifices to benefit those with whom they interact and share common institutions (Barry, 1989).

Moreover, we have captured a measure of solidarity that is likely to proxy regional institutional logics on inclusion. There is evidence that religion has a significant influence on regional solidarity (Abela, 2004), which is associated with disabled inclusion (Oorschot, 2000). We measured the influence of solidarity in regional institutional logics with data on the weighted size of asylums in the region. We posit that the bigger the asylums, the stronger the likelihood of communities adopting a shared notion of solidarity with the disenfranchised. Hence, if there was less solidarity with the disenfranchised, seeking to locate asylums (Hubbard, 2006) would likely trigger protest and provoke relocation (see Freudenberg & Steinsapir, 1991), since these communities seek to maintain the boundaries between self and other.

**Table 4.1** List of Regional Institutional Logics Indicators<sup>b</sup>

Indicator	Data Source	Operationalization
Residential stability	Centraal Bureau voor de Statistiek (CBS) <sup>c</sup>	Average of the number of people entering and leaving a region through residential moves relative to the total number of inhabitants.
Social kinship	Societal Residence Survey <sup>d</sup>	The degree to which a region is satisfied with the social aspects in their region regarding: (1) knowing others in the region, (2) having pleasant interaction with each other, (3) solidarity, (4) feeling at home with others, and (5) number of interactions.
Density of asylums	Umbrella organization Asylums (COA) and verified by phone <sup>e</sup>	Regional deviation from the mean number of asylums overall.

<sup>a</sup> All indicators were a) coded so that higher values reflect more favorable regional logics and b) standardized before factor analysis.

<sup>b</sup> Note: we originally included two additional proxies: a) density of sheltered workplace and b) religion, in our factor analysis. However, they were not loading and, therefore, are not included in further analysis.<sup>c</sup> Population development dataset from <https://www.opendata.cbs.nl/statline/#/CBS/nl/dataset/37259ned/table?ts=1557390719908>

<sup>d</sup> Societal Residence Survey from <https://www.dans.knaw.nl/nl>

<sup>e</sup> Location asylums from <https://www.coa.nl/nl/opvanglocaties>

**Table 4.2** List of Indicators, Loadings, and Regional Institutional Logics Variables

Variable	Loadings	Indicators
Regional logics	.83	Residential stability
	.68	Social kinship
	.43	Density of asylums

Exploratory factor analyses with Promax rotation ( $n = 160$ ). The variables are constructed from the indicators with loading above .30 on the factors (see Comrey & Lee, 1992)

We used standardized transformations of these variables to perform exploratory factor analysis with STATA 14. We found that residential stability, social kinship, and density of asylums loaded on one factor, with loadings ranging from .47 to .83. Table 4.2 presents the items and loadings for the regional logics variable.

Since our concentration is on the constellations of logics, we constructed a categorical variable, vertical institutional complexity, from the societal logic and regional logic items. Therefore, we first dichotomized the societal and regional logic variables on their relative favorability to the inclusion of people with disabilities. To determine the cutoff point, we applied the Liu method that maximizes the product of the sensitivity and the specificity (Liu, 2012). The resulting dichotomous

variables indicate a relatively unfavorable logic to the inclusion of 'o' or a relatively favorable logic to the inclusion of 'r' prevailing at a certain point in time. Consequently, we constructed a categorical variable with four categories. The first category is where the societal and regional logics are relatively unfavorable to inclusion ('o,o'). The second category refers to a situation where the societal logic is relatively unfavorable, but the regional logic is relatively favorable ('o,r'). The third category indicates that organizations face a relatively favorable societal logic but relatively unfavorable regional logic ('r,o'). Finally, the fourth category demonstrates that both societal and regional logics are relatively favorable ('r,r'). Hence, we have four constellations of logics that we predict will have a distinct influence on organizational responses to legislative prescriptions (hypotheses 4.1a-d).

### ***Control variables***

Our models include several organizational-level controls. While we expect constellations of societal and regional logics to help in explaining organizations' responses to legislative prescriptions, there may be other pertinent influences. Firstly, we included a variable that captures organizational size. Organizational size is operationalized as the number of workers an organization employs. We control for the notion that "central" organizations, commonly associated with organizational size, face intensified institutional demands because of their high visibility (Den Hond & De Bakker, 2007; Greening & Gray, 1994; King & Soule, 2007; Rehbein, Waddock, & Graves, 2004; Rowley & Moldoveanu, 2003). Moreover, large organizations may be more aware of institutional demands compared to smaller organizations (Galaskiewicz & Wasserman, 1989; Kraatz, 1998; Westphal, Gulati, & Shortell, 1997). Finally, larger organizations have to interact with myriad audiences (Greenwood et al., 2011), of which the state is the most critical one (Scott, 2001). Hence, it is important to control for the influence of organizational size in explaining organizations' responses to legislative prescriptions. We derived the data from a WEA survey question (N075b) asking respondents to indicate the number of employees working for the organization.

Secondly, we included a variable to capture the financial performance of an organization. In this regard, our purpose was to control for the idea that financially stronger organizations may have greater resources to creatively shape vague institutional demands into innovations, such as concrete inclusive organizational practices (see e.g., Camisón-Zornoza, Lapedra-Alcamí, Segarra-Ciprés, & Boronat-Navarro, 2004; Damanpour, 1991). Moreover, taking an institutional perspective, financial resources are portrayed as resulting from organizations' conformance to institutional demands. The underlying mechanism is that organizations intend to secure resource acquisition by complying with institutional demands to remain legitimate in the eyes of important audiences (DiMaggio & Powell, 1983; Meyer, Rowan, & Scott, 1983; Oliver, 1997). Financially strong organizations may simply be more prone to institutional demands and inclined to find solutions to them to remain legitimate. The variable is derived from a question (question N052e) in the WEA survey, asking respondents to indicate whether the financial performance in the last two years: (1) strongly reduced, (2) reduced, (3) remained the same, (4) increased, or (5) strongly increased. We transformed the variable into a 3-point scale, in which '1' indicates reduced financial performance and '3' increased financial performance, by taking the two extreme answers together. Since the extreme response category (1) strongly reduced and (5) strongly increased had almost no observations.

Furthermore, we controlled for the fact that organizational behavior can be constrained by collective bargaining agreements. Collective bargaining agreements can influence how organizations respond to an institutional context (e.g., Blien, Dauth, Schank, & Schnabel, 2013) by constraining

organizational actions. The data was captured from the WEA survey (question No29). Respondents were asked to indicate whether the organization has (1) a firm-level collective bargaining agreement, (2) a sector-level collective bargaining agreement, (3) a governmental collective bargaining agreement, (4) another type of bargaining agreement, (5) none in place but fully follows a collective bargaining agreement, (5) none in place but partially follows a collective bargaining agreement or (6) no collective bargaining agreement. We are only interested in controlling for the potential constraining effect of collective bargaining agreements on organizational behavior. Therefore, we transformed the variable into a dichotomous variable by coding response categories 1-3 as '1' and response categories 4-6 as '0'. Consequently, the collective bargaining agreement variable indicates whether organizational behavior is potentially constrained ('1') or not constrained ('0') by a collective bargaining agreement.

Furthermore, we controlled for the idea that organizations in some sectors find it easier to transform vague legal prescriptions into concrete organizational practices. For instance, most people with a disability have lower education and skill qualifications (Berthoud, 2006). For organizations in sectors with somewhat greater demand for primary educated people, it can be relatively easy to transform vague legal prescriptions concerning inclusion into concrete organizational practices. Furthermore, we felt it important to control for the idea that organizations face sector-specific constellations of institutional logics (e.g., D'Aunno, Sutton, & Price, 1991; Hoffman, 1999; Reay & Hinings, 2005)—hence, creating another source of institutional complexity in addition to complexity arising from incompatibilities between societal and regional institutional logics. Moreover, we controlled for organization years since establishment—that is to say, organizational age because older organizations typically experience intensified institutional complexity due to the manifestation of residual logics (Lieberman, 2002; Lounsbury & Boxenbaum, 2013; Raynard, Lounsbury, & Greenwood, 2013). The data were captured from the WEA survey (question No06). Respondents were asked to fill in the organizations' time of operation in years. Finally, in similar vein, we controlled for organizational structure. Hence, prior work suggests that multinational organizations can face additional complexity, due to the transmission of logics from headquarter to subsidiaries (see Kostova, Nell, & Hoenen, 2018). The data were captured from the WEA survey (No02). Respondents are asked to indicate whether the structure of their organization best fits: (1) head office of Dutch organization with multiple establishments; (2) head office of an international organization with multiple establishments; (3) establishment of Dutch organization; (4) establishment of international organization; or (5) others. Table 4.4 contains the descriptive statistics and correlations of all the independent variables.

### ***Empirical strategy***

Given that our key theoretical construct of organizational responses to legislative prescriptions is theorized and measured at the organizational level, we decided to use logistic regression models with clustered robust standard errors. This helps to control for unobserved heterogeneity at the regional level and supports causal inferences about how changes in constellations of societal and regional institutional logics affect organizational responses to legislative prescriptions. Since observations are nested in regions, we were conscious of the risk of wrongly specifying our models because standard errors and confidence intervals can be misleading (e.g., Cameron & Miller, 2015; Ibragimov & Müller, 2016). Therefore, we controlled for within-region error correlation by clustering robust standard errors in regions (see Rogers, 1993). We combined this method with logistic regression since our dependent variable is dichotomous—that is, the adoption of inclusive practices (Zeger & Liang, 1986).

Based on interpretative considerations, we ran the “margins” routine in STATA 14 to compute predictive probabilities. Therefore, we were able to compute the effect of the discrete change of the particular constellation of societal and regional logics on the likelihood of inclusive practice adoption. In other words, we could express how the predicted probability of the adoption of inclusive practices changes with organizations’ exposure to particular constellations of societal and regional institutional logics. Furthermore, we ran the “contrast” routine in STATA 14, which performs ANOVA-style tests to compare the levels of the categorical vertical institutional complexity variable (for a discussion, see Milliken & Johnson, 2009; Rosenthal, Rosnow, & Rubin, 2000).

## Results

We tested Hypotheses 4.1a-d by modeling the adoption of inclusive practices by organizations in The Netherlands for the years 2010, 2012, 2014, and 2016. Summary statistics of the variables used in the analysis are reported in Table 4.3. We performed a variance inflation factor (VIF) analysis to confirm that multicollinearity was not a problem (mean VIF = 3.03; max. VIF = 5.62). In Table 4.4, Model 1 is a baseline with only control variables included. Here, several results are worth mentioning. First, as expected, larger organizations seem more likely to respond to institutional demands by adopting inclusive organizational practices (e.g., Den Hond & De Bakker, 2007; Kraatz, 1998). Financially stronger organizations are also more likely to adopt inclusive organizational practices, perhaps because they have greater resources to creatively shape vague legislative prescriptions into concrete organizational practices (e.g., Camisón-Zornoza et al., 2004) and are more prone to remaining legitimate. We found that collective bargaining agreements constrain organizational responses to institutional demands (e.g., Blien et al., 2013) in showing a significant negative relation to the adoption of inclusive practices. As expected, older organizations are less likely to adopt inclusive practices in response to legal prescriptions. Our results, therefore, support earlier work suggesting that older organizations face intensified complexity due to the manifestation of residual logics (Lieberman, 2002; Lounsbury & Boxenbaum, 2013; Raynard, Lounsbury, & Greenwood, 2013). Furthermore, we found that multinational organizations are less likely to adopt inclusive practices. This may be because headquarters, located in other countries, transmit logics to their subsidiaries and intensify institutional complexity (e.g., Kostova et al., 2018).

In Model 2, we tested the effect of particular constellations of societal and regional logics on organizations’ response to legislative prescriptions (Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005). Here, we add the variable, vertical institutional complexity, to the baseline model (Model 1). The variable comprises one category for each constellation of societal and regional logics, in terms of relative favorability to inclusion. In Model 2, the constellation, less favorable societal and regional institutional logics, acts as a reference category to predict the effects of the three other categories on the adoption of inclusive practices. The results indicate that, in regions where the regional logic is relatively more favorable (category 2), it is less likely that organizations located there will adopt inclusive practices. This finding is not significant; however, it is noteworthy that the relationship is in the opposite direction to what was expected. Thus, we found no support for Hypothesis 4.1b, which posited that organizations are more likely to adopt inclusive practices when regional logics are relatively favorable to inclusion, irrespective of the societal logics that prevail.

Hypothesis 4.1c predicted that organizations prioritize regional logics over societal logics in their response to legislative prescriptions (Greenwood et al., 2010; Helliwell & Putnam, 1995; Lee

& Lounsbury, 2015). Accordingly, we found that organizations in regions with relatively favorable regional logics are more likely to adopt inclusive organizational practices, irrespective of whether societal institutional logics are relatively favorable or unfavorable (category 3). A Wald test confirmed that the coefficient of category 3 is significantly different from the base level and category 2, with  $\chi^2=73.45$ ,  $p < .01$  and  $\chi^2=91.98$ ,  $p < .01$ , respectively. Finally, Hypothesis 4.1d predicted that organizations are likely to adopt inclusive practices to legislative prescriptions when both societal and regional logics are relatively favorable to inclusion. That is to say, vertical institutional complexity is likely to diminish when logic is aligned (see Greenwood et al., 2010) and, consequently, organizations face unilateral institutional guidelines. Indeed, we found organizations in regions with relatively favorable regional and societal logics that demonstrated a greater probability of adopting inclusive practices than when both societal and regional logics are relatively unfavorable. A Wald test confirmed that the coefficient of category 4 is significantly different from the base level, category 2, and category 3, with  $\chi^2=56.68$ ,  $p < .01$ ,  $\chi^2=76.19$ ,  $p < .01$  and  $\chi^2=4.53$ ,  $p < .05$ , respectively.

We also took steps to further investigate the influence of constellations of societal and regional logics on organizational responses to legislative prescriptions. To this end, we estimated the predictive probabilities of organizations' adoption of inclusive practices for specified constellations of societal and regional institutional logics. The predictive probabilities of each constellation of institutional logics on the adoption of inclusive practices are presented in Table 4.5. Holding all predictors at their mean, a constellation of relative unfavorable societal and regional institutional logics predicts a 25.2% chance of adopting inclusive practices in response to legislative prescriptions. In other words, for organizations in regions with relatively unfavorable regional logics and where, currently, societal logics are also relatively unfavorable, there is a 25.2% chance that these organizations will adopt inclusive practices. In contrast to the prediction in Hypothesis 4.1b, we found that the probability of organizations adopting inclusive practices under more favorable regional logics drops to 23.5%. However, contrasting the predictive margins reveals that the effects between the two constellations are not significantly different. Note that the contrast in the predictive probabilities is reported in Table 4.6. We found the highest predictive probability in organizations facing relatively unfavorable regional logics and favorable societal logics. Organizations in regions with relatively unfavorable regional logics but where the prevailing societal logics are relatively favorable to inclusion have a 33.3% chance of adopting inclusive organizational practices. Finally, organizations facing relatively favorable societal and regional institutional logics have a 31.6% chance of adopting inclusive practices in response to legislative practices *ceteris paribus*.

### ***Supplementary analysis***

In addition to the models discussed above, we ran several supplementary analyses designed to add nuance to our findings and to help eliminate alternative explanations.

#### ***Additional modeling approach***

As with other studies that model the influence of institutional pressures on organizational behavior (e.g., Soule, Swaminathan, & Tihanyi, 2014), our data has a nested structure (organizations within regions), and our estimation approach crosses levels. While the use of explanatory variables defined at the higher level (i.e., societal and regional levels) and the clustering of standard errors on regions helps to control for the potential non-independence of standard errors across observations, we took additional steps to replicate our analysis by using different estimation strategies. Firstly, we created "hierarchical fixed effects" models by fitting a unique dummy variable for each region (e.g.,

Allison, 2009). We used the “areg” procedure in STATA 14 to fit dummies for each region and re-run analyses. The results closely matched our earlier reported findings. Secondly, we created several “hierarchical random effects” models—commonly understood as “multi-level models”—by running “mixed” procedures in STATA 14 and cluster data within regions. Again, we found the results to be almost identical to our earlier reported findings<sup>1</sup>.

#### *Post-estimation analysis*

Since our sample is relatively large, p values can quickly go to zero and distort our inferences (see e.g., Chatfield, 1995; Leamer, 1978). However, at the same time, the advantage of our large dataset is that we can split our data into categories—constellations of institutional logics—while maintaining sufficient power to conduct analysis (e.g., Forman, Ghose, & Wiesenfeld, 2008; Mithas & Lucas Jr, 2010). We follow the approach suggested by Good, 1982 (see also, Woolley, 2003) to “standardize” the P values to a sample size of 100 and assess whether inferences hold. We standardized the P values of the particular constellations of societal and regional institutional logics. The relations between the constellations of logics and the adoption of practice remain significant. The exception is the second constellation of relatively favorable societal logics and unfavorable regional logics to inclusion, which remains insignificant.

We ran the “Linktest” procedure in STATA 14 based on our logistic regression models. In these logistic regression models, we assumed that the logit of our dependent variable—the adoption of inclusive practices—is a linear combination of the independent variables. The procedure used the linear predicted value and the linear predicted value squared to rebuild the model. Under this procedure, models do not suffer from specification errors when the predicted value is a significant predictor and the predicted value squared has less predictive power. Running this procedure across our models, we found predicted values’ coefficients ranging from .96 and .97 with  $P < .05$ . While predicted value squared coefficients ranged from -.02 to -.03, with  $P > .05$ . These results suggest that our models, most probably, do not suffer from misspecification errors and that we, therefore, included meaningful predictors.

Furthermore, we ran our models on a subsample of our data to control for potentially influential observations in the specification of the models. We created the subsamples by randomly assigning 50% of observations to the first subsample and 50% of observations to the second subsample. The results of analyses closely matched the results of the focal analyses. However, the significance levels of the relation between regional institutional logics and the adoption of inclusive practices became weaker but remained significant with  $P < .05$ . The effects of particular constellations of logics are largely similar to the focal analyses. The results of supplementary analyses are presented in Table 4.7, Table 4.8, and Table 4.9.

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<sup>1</sup> Although all of these approaches explicitly account for the nestedness of the observations, we opted to report logistic regression models with clustered standard errors as our main analyses and other approaches—hierarchical fixed effects and hierarchical random effects—as supplementary analyses (see Appendix 1). Firstly, using clustered standard errors to control for unobserved correlations has a long tradition (Froot, 1989; Rogers, 1993; White, 1996, 2014; Williams, 2000; Wooldridge, 2010). Secondly, more importantly, multi-level estimates are potentially highly influenced by influential outliers, in particular when the number of higher-level units, i.e., regions, is below fifty (Maas & Hox, 2005). Moreover, clustering standard errors allows us to control for heteroscedasticity between regions as it will not be controlled for using hierarchical fixed effects (Stock & Watson, 2008).



**Table 4.3** Descriptive Statistics and Correlation Matrix Among Variables<sup>a</sup>

Variable	Mean or Frequency	S.D.	1	2
1. Adoption inclusive practices	0 = No adoption 1 = Adoption	69.85% 30.15%	1.00	
2. Constellations of logics	0 = Less favorable societal and regional logics 1 = More favorable societal and less favorable regional logics 2 = Less favorable societal and more favorable regional logics 3 = More favorable societal and regional logics	28.09% 23.79% 20.85% 27.26%	.09***	1.00
3. Organization size		3.43	1.65	.30***
4. Organization years since the establishment		43.52	46.98	.06***
5. Collective agreement	0 = No 1 = Yes	67.47% 32.53%		.16**
6. Financial performance development	0 = Reduced 1 = Remained the same 2 = Increased	31.36% 34.80% 33.84%		.06*
7. Sector	0 = Agriculture, forestry, and fishery 1 = Industry 2 = Construction industry 3 = Trade 4 = Food and beverages 5 = Transport and communication 6 = Financial institutions 7 = Business services 8 = Government 9 = Education 10 = Health care and welfare services 11 = Other services	1.72% 17.09% 6.97% 14.10% 4.64% 7.67% 3.74% 15.77% 3.24% 8.85% 10.45% 5.76%		.01***
8. Organizational structure	0 = Independent establishment 1 = Headquarters of Dutch organization with multiple establishments 2 = Headquarters of foreign organization with multiple establishments 3 = Establishment of the Dutch organization 4 = Establishment of a foreign organization 5 = Others	52.77% 12.83% 1.34% 20.30% 7.24% 5.52%		.10
9. Year 2010		26.52%		.02***
10. Year 2012		25.37%		-.06***
11. Year 2014		24.78%		-.04***
12. Year 2016		23.33%		.03***
				.35***
				.08***
				.32***
				.47***
				.19***
				.35***
				.32***

Variables	3	4	5	6	7	8	9	10	11	12
3. Organization size	1.00									
4. Organization years since the establishment	.26*	1.00								
5. Collective agreement	-.24***	.04***	1.00							
6. Financial performance development	.01***	.01***	.10	1.00						
7. Sector	.06***	.04***	.37	.16	1.00					
8. Organizational structure	.04***	.01***	.08	.05	.09	1.00				
9. Year 2010	-.05***	.03***	.01	.04	.04	.08	1.00			
10. Year 2012	-.01	.01	.02	.08	.03	.07	.35***	1.00		
11. Year 2014	.01**	-.02**	.01	.01	.02	.08	.34***	.33***	1.00	
12. Year 2016	.04***	-.01*	.02*	.14	.03	.07	.33***	.32***	.32***	1.00

<sup>a</sup> Association between two dichotomous variables (e.g., *adoption inclusive practices* and *collective agreement*) is measured by the Phi-coefficient (Yule, 1912). Association between dichotomous and nominal variables (e.g. *adoption inclusive practices* and the *constellation of logics*) is measured by Cramer's V (Cramér, 1946). Association between a nominal and continuous variable (e.g., *societal institutional logics* and *constellations of logics*) is measured by Eta (see Siegel, 1956). Moreover, the association between two continuous variables (e.g., *societal institutional logics* and *regional institutional logics*) is measured by Pearson's correlation. Finally, the association between a dichotomous and a continuous variable (e.g., *adoption of inclusive practices* and *societal institutional logics*) is measured by the Point-Biserial Correlation (Sheskin, 2011).

**Table 4.4** Logistic Regression Models Estimating Organizational Adoption of Inclusive Practices

	(1)	(2)
Constellations institutional logics		
<i>More favorable societal logic and less favorable regional logic</i>		-.09 (.06)
<i>Less favorable societal logic and more favorable regional logic</i>		.56*** (.07)
<i>More favorable societal and regional logic</i>		.46*** (.07)
Organizational size	.43*** (.02)	.43*** (.02)
Organization years since establishment	-.01† (.01)	-.01† (.01)
Collective agreements		
Yes	-.26*** (.07)	-.25*** (.07)
Financial performance development		
<i>Remained the same</i>	.10* (.05)	.10** (.05)
<i>Increased</i>	.23*** (.05)	.22*** (.05)
Sector		
<i>Industry</i>	.12 (.15)	.13 (.14)
<i>Construction industry</i>	.10 (.17)	.11 (.17)
<i>Trade</i>	.23 (.14)	.24† (.14)
<i>Food and beverage</i>	.57*** (.15)	.59*** (.14)
<i>Transport and communication</i>	.09 (.20)	.11 (.20)
<i>Financial institution</i>	-.66*** (.18)	-.63*** (.17)
<i>Business services</i>	-.01 (.15)	.01 (.14)
<i>Government</i>	-.57** (.22)	-.55** (.22)
<i>Education</i>	-.32* (.18)	-.29* (.18)
<i>Health care and welfare services</i>	.07 (.15)	.09 (.14)
<i>Other services</i>	-.15 (.13)	-.13 (.13)
Organizational structure		
<i>Head office of Dutch organization with multiple establishments</i>	.18*** (.06)	.18*** (.06)
<i>Head office of international organization with multiple establishments</i>	-.22 (.16)	-.22 (.16)
<i>Establishment of Dutch organization</i>	.13** (.06)	.13** (.06)
<i>Establishment of international organization</i>	-.19** (.08)	-.19** (.08)
<i>Others</i>	.04 (.10)	.03 (.11)
Year 2010	.10* (.06)	.11 (.06)
Year 2012	.36*** (.04)	.19* (.06)
Year 2014	.54*** (.06)	.10*** (.04)
Constant	-1.22*** (.14)	-1.19*** (.14)
<i>N</i>	17218	17218
Log Likelihood X <sup>2</sup>	5695.77***	7714.51***

Note: Standard errors in parentheses. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$  \*\*\*  $P < .001$

**Table 4.5** Predicted Probabilities of Organizational Adoption of Inclusive Practices Under Different Constellations of Societal and Regional Institutional Logics

Vertical institutional complexity	(1)
1. Unfavorable societal and regional institutional logics	.25*** (.01)
2. Favorable regional institutional logics and unfavorable societal logics	.24*** (.01)
3. Unfavorable regional institutional logics and favorable societal logics	.33*** (.01)
4. Favorable regional institutional logics and favorable societal logics	.32*** (.01)
Observations	17,218

Note: Standard errors in parentheses †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$  \*\*\*  $p < .001$

**Table 4.6** Contrasts Predicted probabilities of Organizational Adoption of Inclusive Practices Under different Constellations of Societal and Regional Institutional Logics

Vertical institutional complexity	(1)
2. Favorable regional institutional logics and unfavorable societal logics	-.02 (.01)
3. Unfavorable regional institutional logics and favorable societal logics	.08*** (.02)
4. Favorable regional institutional logics and favorable societal logics	.06*** (.01)
Observations	17,218

Note: Standard errors in parentheses †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$  \*\*\*  $p < .001$ ; base level: unfavorable societal and regional institutional logics

**Table 4.7** Logistic Regression Models Estimating Organizational Adoption of Inclusive Practices With Split Sample

	(1)
Constellations institutional logics	
<i>More favorable societal logic and less favorable regional logic</i>	-.05 (.10)
<i>Less favorable societal logic and more favorable regional logic</i>	.57** (.09)
<i>More favorable societal and regional logic</i>	.56*** (.08)
Organizational size	.44*** (.02)
Organization years since the establishment	-.01* (.01)
Collective agreements	
Yes	-.26** (.09)
Financial performance development	
<i>Remained the same</i>	.12 (.07)
<i>Increased</i>	.14† (.07)
Sector	
<i>Industry</i>	.08 (.22)
<i>Construction industry</i>	.16 (.27)
<i>Trade</i>	.20 (.23)
<i>Food and beverage</i>	.47* (.23)
<i>Transport and communication</i>	.13 (.29)
<i>Financial institution</i>	-.70* (.28)
<i>Business services</i>	.02 (.21)
<i>Government</i>	-.67* (.28)
<i>Education</i>	-.36* (.27)
<i>Health care and welfare services</i>	.08 (.24)
<i>Other services</i>	-.26 (.21)
Organizational structure	
<i>Head office of Dutch organization with multiple establishments</i>	.17* (.07)
<i>Head office of an international organization with multiple establishments</i>	-.19 (.21)
<i>Establishment of the Dutch organization</i>	.21* (.08)
<i>Establishment of international organization</i>	-.17* (.07)
<i>Others</i>	.04 (.15)
Year 2010	.17 (.08)
Year 2012	-.17* (.06)
Year 2014	.10*** (.01)
Constant	-2.67***(.26)
<i>N</i>	8,609
Log-Likelihood X <sup>2</sup>	2532.81***

Note: Standard errors in parentheses. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$  \*\*\*  $P < .001$ ;

**Table 4.8** Hierarchical Fixed Effects Model and Organizational Adoption of Inclusive Practices<sup>2</sup>

	(1)
Constellations institutional logics	
<i>More favorable societal logic and less favorable regional logic</i>	-01 (.02)
<i>Less favorable societal logic and more favorable regional logic</i>	.10*** (.12)
<i>More favorable societal and regional logic</i>	.09*** (.02)
Organizational size	.08*** (.02)
Organization years since the establishment	-.01* (.01)
Collective agreements	
Yes	-.04*** (.01)
Financial performance development	
<i>Remained the same</i>	.02** (.01)
<i>Increased</i>	.04*** (.01)
Sector	
<i>Industry</i>	.02 (.03)
<i>Construction industry</i>	.02 (.03)
<i>Trade</i>	.05 (.03)
<i>Food and beverage</i>	.12*** (.03)
<i>Transport and communication</i>	.03 (.03)
<i>Financial institution</i>	-.09*** (.03)
<i>Business services</i>	.01 (.03)
<i>Government</i>	-.11** (.22)
<i>Education</i>	-.05** (.03)
<i>Health care and welfare services</i>	.02 (.03)
<i>Other services</i>	-.02 (.03)
Organizational structure	
<i>Head office of Dutch organization with multiple establishments</i>	.03*** (.01)
<i>Head office of intersocietal organization with multiple establishments</i>	-.04 (.03)
<i>Establishment of the Dutch organization</i>	.02** (.01)
<i>Establishment of intersocietal organization</i>	-.03* (.01)
<i>Others</i>	.01 (.02)
Year 2010	.01 (.01)
Year 2012	-.04*** (.01)
Year 2014	.10*** (.01)
Constant	-.04 (.03)
N	17218
F (26, 17151)	84.54***

Note: Standard errors in parentheses. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$  \*\*\*  $P < .001$ ;

<sup>2</sup> Table 4.8 shows the output of the “areg” procedure in STATA 14. The procedure fits a fixed-effects hierarchical model by entering dummy variables for each region in the analysis. Fixed-effects models are appropriate when predictors can be

expected to correlate with cluster-specific characteristics—namely, regional characters. Fixed-effects models control for these potential within-cluster correlations to assess the net effect of constellations on logics on the adoption of inclusive practices. The results support the findings of our main models.

**Table 4.9** Hierarchical Random-Effects Models and Organizational Adoption of Inclusive Practices (Logit and Probit Models)<sup>3</sup>

	(1)	(2)
Constellations institutional logics		
<i>More favorable societal logic and less favorable regional logic</i>	-.11 (.06)	-.06 (.03)
<i>Less favorable societal logic and more favorable regional logic</i>	.57*** (.06)	.33*** (.04)
<i>More favorable societal and regional logic</i>	.44*** (.06)	.26*** (.04)
Organizational size	.43*** (.01)	.26*** (.01)
Organization years since establishment	-.01** (.01)	-.01** (.01)
Collective agreements		
Yes	-.25*** (.04)	-.14*** (.03)
Financial performance development		
<i>Remained the same</i>	.10* (.05)	.06** (.03)
<i>Increased</i>	.22*** (.04)	.13*** (.03)
Sector		
<i>Industry</i>	.12 (.14)	.08 (.08)
<i>Construction industry</i>	.10 (.15)	.07 (.09)
<i>Trade</i>	.24 (.15)	.14† (.09)
<i>Food and beverage</i>	.60*** (.16)	.36*** (.09)
<i>Transport and communication</i>	.12 (.15)	.07 (.09)
<i>Financial institution</i>	-.63*** (.18)	-.35*** (.10)
<i>Business services</i>	-.01 (.15)	.01 (.09)
<i>Government</i>	-.55** (.19)	-.32*** (.11)
<i>Education</i>	-.29 (.15)	-.17** (.09)
<i>Health care and welfare services</i>	.09 (.15)	.06 (.09)
<i>Other services</i>	-.13 (.16)	-.08 (.09)
Organizational structure		
<i>Head office of Dutch organization with multiple establishments</i>	.18** (.05)	.11*** (.03)
<i>Head office of intersocietal organization with multiple establishments</i>	-.21 (.16)	-.12 (.09)
<i>Establishment of Dutch organization</i>	.12* (.05)	.07** (.03)
<i>Establishment of intersocietal organization</i>	-.18* (.07)	-.11** (.04)
<i>Others</i>	.02 (.08)	.01 (.05)
Year 2010	.10* (.05)	.05** (.03)
Year 2012	-.20*** (.05)	-.12*** (.03)
Year 2014	.10*** (.01)	.10*** (.01)
Constant	-2.67*** (.15)	-1.61*** (.09)
N	17218	17218
Log Likelihood X <sup>2</sup>	1732.60***	1860.04***

Note: Standard errors in parentheses † p<.10\* p<.05 \*\*p<.01 \*\*\* P<.001;  
Models 1: random intercept logit model  
Models 2: random intercept probit model

3 Random effects are useful in modelling intra-cluster correlation – i.e., the observations in regions are likely to be correlated because they share common regional-level random effects (e.g.: Guo & Zhao, 2000). While we controlled for potential intra-cluster correlations in our main analyses as well as fitting a hierarchical fixed-effects model (Table 4.5), we checked the robustness of our findings by running two hierarchical random-effects models – i.e., multi-level models. While multi-level models can control for the nestedness of observations in regions, we did not present these models as our main analyses for two reasons. First, multi-level estimates are potentially highly influenced by influential outliers, in particular when the number of higher-level units (i.e., regions) is small. In a simulation study, Maas and Hox (2005) found that only samples with more than 50 higher-level units result in unbiased multi-level estimators. Our sample consists of 17,218 observations in 40 regions and is thus smaller than the 50 units required. Second, omitted variable bias can occur due to a small number of higher-level units (see Allison, 2009; Hox, Moerbeek, & Van de Schoot, 2017). Hence, only a small number on the regional level can be included. As a consequence, we were able to find significant regional-level effects that are affected by unobserved variables (Snijders, 2005).

Model 1 results from fitting a mixed-effects logistic regression and contains both fixed effects and random effects. Model 2 show the results of a mixed-effects probit regression. The logistic and probit regressions are appropriate when the dependent variable – i.e., organizational adoption of inclusive practices – is dichotomous. The difference in the two methods is that they use different link functions. The logit models use the cumulative distribution function of the logistic distribution, whilst the probit models use the cumulative distribution function of the standard normal distribution. Both methods are likely to yield the same inferences. The estimations from Models 1 and Model 2 clearly match the results of our main analyses, i.e., logistic regression with clustered standard errors.

## Discussion and conclusion

In this study, we argued that organizational responses to legislative prescriptions are collectively constructed by drawing on societal and regional institutional logics. Organizational attention to institutional logics impacts the transformation of legislative prescriptions into concrete organizational behavior in the form of adopting inclusive practices (e.g., Coglianesi & Nash, 2001; Edelman et al., 1999; Lounsbury, 2007; Thornton, 2002, 2004; Tyler et al., 2007). Studies have related societal and regional institutional logics to the adoption of organizational practices (for societal logics, see Heimer, 1999; Miller et al., 2010; Purdy and Gray, 2009; Zhao and Wry, 2016 and, for regional logics, see Lee and Lounsbury, 2015; Marquis and Battilana, 2009; Thornton and Ocasio, 1999). To date, however, most studies neglect (Friedland & Alford, 1991), or only explicitly embrace (Purdy & Gray, 2009; Thornton, 2002, 2004; Thornton & Ocasio, 1999), the nestedness of institutional logics. Organizational behavior is likely to be influenced by constellations (Lee & Lounsbury, 2015; Reay & Hinings, 2005) or configurations (Fiss et al., 2013) of institutional logics operating on multiple levels—namely, societal and regional levels. In particular, the relative compatibility of institutional logics operating on multiple levels—termed “vertical institutional complexity” (Greenwood et al., 2010)—is likely to underlie organizational responses to legislative prescriptions. We theorized that the effect of legislative prescriptions on organizational behavior can be predicted by: (a) the relative compatibility of institutional logics (see Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005) and (b) the guidelines they provide on the means to act on legislative prescriptions (Thornton, 2004).

We developed and tested these arguments in a study with non-panel data on 17,812 organizations located in 40 regions of The Netherlands. Consistent with our theory, we found that societal institutional logics have an important influence on organizational responses to legislative prescriptions. Indeed, at times of relatively “inclusive” favorable societal logics, organizations are more likely to adopt inclusive practices to inclusive legislative prescriptions. Concentrating on the constellations of societal and regional logics, we found that this effect holds irrespective of the relative favorability of logics operating on a regional level. However, in contrast to our theory, we found relatively favorable regional logics to counteract the positive effect of prevailing societal logics on the adoption of inclusive practices in response to legislative prescriptions. In fact, focusing on the direct effect of regional institutional logics, we found organizations less likely to adopt inclusive practices to legislative prescriptions. In other words, relatively “inclusive” favorable regional logics makes organizations less likely to adopt inclusive practices *ceteris paribus*. We argue for deeper integration of the state’s power distribution in studying the dissemination of legislative prescriptions, filtered by institutional logics, into concrete organizational practices. Our findings are relevant to the study of institutional logics—in particular, institutional complexity and the legal endogeneity theory.

### *The implication for the Study of Institutional Logics*

To date, most research on institutional logics has focused on logics operating on the same conceptual level and their relative incompatibility in explaining organizational behavior. This work has demonstrated that organizational responses to institutional demands such as legislation are related to prevailing institutional logics (e.g., Lounsbury, 2007; Thornton, 2002, 2004). However, it has tended to neglect the nestedness of institutional logics in the wider environment (Friedland & Alford, 1991) or explicitly addressed this nestedness (Purdy & Gray, 2009; Thornton, 2002, 2004; Thornton & Ocasio, 1999). These studies have focused on the influence of regional operating logics (e.g., Marquis et al., 2007; Schneiberg et al., 2008) or societal operating logics on organizational behavior (e.g., Zhao & Wry,

2016). They have been extremely useful in understanding how organizational behavior is embedded in the wider environment. Yet, this work is limited insofar as it does not recognize that organizations are likely to face “constellations” (Lee & Lounsbury, 2015; Reay & Hinings, 2005) or “configurations” (Fiss et al., 2013) of institutional logics, operating on multiple levels.

While previous work has hinted at vertical institutional complexity, our study is the first to directly theorize on the impact of complexity on organizational responses to legislative prescriptions. This advances institutional research by supporting a richer theorization of the mechanisms through which legislative prescriptions are filtered by institutional logics, before impacting organizational behavior. Our approach confirms the work on communities (e.g., Marquis & Battilana, 2009) in ascribing an important role to an organizations’ geographical location in its organizational behavior. Namely, regional institutional logics play an important role in organizations’ responses to institutional pressures (Greenwood et al., 2010). Moreover, we confirmed those works that theorized a connection between societal logics and organizational behavior (Bansal, 2005; Biggart & Guillén, 1999; York et al., 2016; Zhao & Wry, 2016). However, we enriched these relationships by including the sometimes enforcing and sometimes conflicting prescriptions from institutional logics operating on different hierarchical orders. Furthermore, our study suggests that prescriptions from compatible logics may “synchronize”, a proposal that has been theorized in the case of logics operating on the same hierarchical level (Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005) but not logics operating on different hierarchical levels.

The approach we have adopted also speaks to studies that have theorized a close link between regional logics and organizational behavior (Lounsbury, 2007; Marquis et al., 2007; Marquis & Lounsbury, 2007; Thornton et al., 2012). This study’s approach supports non-obvious theoretical predictions. Specifically, organizations seem to anchor their responses to central institutional demands in logics operating on a societal level rather than those within regions. The presence of relatively favorable regional logics alone tends to exert no impact on organizational responses to legislative prescriptions. The presence of relatively favorable societal logics seems to be a necessary condition for regional logics to influence organizational behavior. However, the presence of favorable regional logics tends to lower the likelihood of organizations adopting inclusive practices in response to legislative prescriptions in situations where societal logics are also relatively favorable. This is surprising because, in these situations, one would expect lower levels of vertical institutional complexity, given that prescriptions from logics can synchronize (see Fiss et al., 2013; Lee & Lounsbury, 2015; Reay & Hinings, 2005) and more clearly specify organizational action. Our findings suggest that societal logics are the dominant lens, over regional logics, through which organizations interpret and give meaning to central institutional demands in the form of legislative prescriptions. We posit that these findings may well point to a potential situation-dependent prioritization of institutional logics for several reasons.

Firstly, legislation on the inclusion of people with disabilities places a central institutional demand on organizations directly by the state. It is highly likely that a societal logic that favors these legislative prescriptions is backed by the state (see Greenwood et al., 2010). Societal logics probably make it easier to impact organizational actions than situations where state demands are more distant from societal logics’ prescriptions (see Zald & Lounsbury, 2010). In other words, societal logics potentially have greater power to alter organizational actions than regional logics, when they are relatively compatible with institutional demands from the state. Indeed, our findings confirm that the effect of legislative prescriptions from the state on organizational actions is fortified by favorable



societal logics. Thus, in situations where multiple institutional logics exist, the choice of which logic to prioritize might be dictated by those with power—namely, the state in the case of inclusive legislation. In other words, the state’s influence on organizational behavior might be strengthened in situations where societal logics are relatively favorable to the change that the state is promoting. Clearly, we are keen to encourage scholars to further explore how organizations, facing logics on multiple levels, might prioritize those logics backed by powerful constituencies such as the state.

Secondly, we posit that the impact of multiple-level logics on organizational responses to institutional demands differs according to the political system, whether it be a unitary or a federal political structure. Clearly, in our study on inclusive legislation in The Netherlands, pressures to adopt inclusive practices are substantial, coming directly from the central government. However, in more federal political systems such as the United States, pressures to adopt inclusive practices are likely to be rather more decentralized and varied. Every state adopts different legislative measures and, thus, places different legislative prescriptions on organizations according to their geographical region. We posit that, in these political systems, regional logics play a more predominant role in organizational responses to legislative prescriptions. Yet, as our approach suggests, neglecting logics operating on different levels in the analyses may result in incomplete explanations of organizational behavior in response to institutional pressures by not fully incorporating the institutional complexity in which organizations are embedded. In other words, while a wealth of studies have focused on “horizontal” institutional complexity (for a recent literature review, see Greenwood et al., 2011) arising from logics operating on the same conceptual level, our findings favor the incorporation of institutional logics operating on different levels to explore “vertical institutional complexity”. In particular, we encourage studies to replicate our approach in a variety of political systems and within the context of different institutional pressures arising from different referent audiences such as central and regional government.

### ***The implication for the Legal Endogeneity Theory***

Most research has portrayed legislation as working in a top-down fashion on organizations (Edelman, 2005). In particular, studies depict legislation as institutional pressure to which organizations comply in order to remain legitimate (e.g., DiMaggio & Powell, 1983; Fligstein, 1991; Gunningham & Johnstone, 1999; Gunningham et al., 2003; Meyer & Rowan, 1977; Paternoster & Simpson, 1996). However, according to legal endogeneity theory, legislation is less “authoritative” since its meaning is deduced by drawing on prevailing cultural norms (Edelman, 2002, 2005, 2007; Edelman et al., 1999; Tyler et al., 2007) or institutional schema (Sewell Jr., 1992). In our study, we adopt this notion by studying organizational responses to inclusive legislation in The Netherlands. Anti-discrimination law such as inclusive legislation in The Netherlands tends to be broad, ambiguous, and process oriented, which makes organizational responses less obvious (Edelman, 2005). Through our analysis, we show that a more robust understanding of an organization’s behavior in response to legislation can be gained by accounting for the institutional logics that an organization faces. We recognize that we do not explicitly measure legislative pressures and organizations’ construction of meaning. However, we believe our findings may have important implications for legal endogeneity theory. Our findings confirm earlier studies that organizational behavior in response to legislative pressures may result from considering legislative prescriptions through the institutional logics surrounding the organization (see Greenwood et al., 2010). However, we augment this notion by incorporating the complexity an organization may face when surrounded by incompatible prescriptions from institutional logics. We argue that legal endogeneity theory can benefit from incorporating institutional theory by helping to

further unravel how organizations interpret and act upon vague legislative prescriptions. In particular, we anticipate that future studies will use qualitative research methods to examine the relationship between ambiguous institutional logics and organizations' construction of meaning from vague legislative prescriptions. This will further open the door to the integration of institutional logics into an organization's construction of meaning in response to legislative prescriptions, an aspect that has received only sparse attention (Edelman & Talesh, 2011).

In addition to its general implications, our approach is particularly relevant for the study of logics, which contribute to the grand challenge of inequality facing people with disabilities. Our study is one of the first to explore how “vertical institutional complexity”—incompatibilities between prevailing societal-level and regional-level logics—impacts organizational responses to legislative prescriptions. Concentrating on the constellations of societal and regional logics, we add nuance to studies focusing on logics operating on one conceptual level (for example, on the societal level, Ocasio, Loewenstein, and Nigram, 2015; Thornton, Ocasio and, Lounsbury, 2012; for example, on the regional level, Lee and Lounsbury, 2015; Greenwood et al., 2010). Organizational responses to legislative prescriptions are embedded in constellations of logics operating on multiple levels, in addition to constellations of logics operating on the same conceptual level, which is termed “institutional complexity” (Greenwood et al., 2010). Therefore, we envision the broad application of our approach in studies on organizational behavior in response to institutional demands. For instance, organizations are embedded in organizational fields and, consequently, face field-level logics (Binder, 2007; Dunn & Jones, 2010; Lok, 2010; Lounsbury, 2007; Marquis & Lounsbury, 2007; Pache & Santos, 2010; Purdy & Gray, 2009; Reay & Hinings, 2009) but organizations are also embedded in regions and consequently face regional logics. We envision the application of our approach in recognizing this nestedness of organizations to studies that further unravel organizational behavior in response to institutional demands.

### ***Limitations***

Our sample comprises non-panel data from a random sample of organizations located in The Netherlands, which causes two potential challenges. Firstly, a stream of studies has related the adoption of inclusive organizational behavior to organizational attributes (for a literature review, see Stone & Colella, 1996). Our focus on macro-level catalysts of organizational adoption—namely, institutional logics—neglects micro-level attributes of organizational decision making. Therefore, we cannot directly analyze how vertical institutional complexity is outplayed on an organizational level and how it affects decisions related to legislative prescriptions. It will be useful to bring further nuance to our findings. Studies can concentrate on connecting organizational attributes with vertical institutional complexity to unravel organizational responses to institutional demands such as legislative prescriptions. Studies can draw on the wealth of literature that has studied how the impact of institutional complexity—logics operating on the same conceptual level—relates to organizational attributes such as the position of an organization within an organizational field (for a recent literature review, see Greenwood et al., 2011).

Furthermore, we assumed that legislation in our period of study (2008-2014) offers vague legal prescriptions regarding the inclusion of people with disabilities in mainstream work. In other words, we did not control for the changes in legislation that occurred during the period nor for the degree of coercion. Consequently, our findings might be biased since the effects of institutional logics on organizational behavior is actually ascribed to the legislation's content. However, in addition

to taking some steps in the analysis to control for this potential bias, we believe this limitation is minor for two reasons. Firstly, despite changes in Dutch “inclusion” legislation, the actual adoption of inclusive practices has remained obligatory for organizations, in contrast to countries where adoption is enforced through the threat of fines (i.e., Germany). Hence, organizations are likely to experience ample room to construct meaning from the legislation and decide how to respond—namely, adopt inclusive practices or not on a relatively “voluntary” basis. Secondly, Dutch “inclusive” legislation is highly influenced by the European Union—for instance, by “Directive 2000/78/EC”. European member countries are obliged to transpose European Union legislation into national legislation. However, the content of “anti-discrimination” legislation might not match the shared understanding of the issue in society (Schwellnus, 2009). Consequently, organizations are likely triggered to actively construct the meaning of legislation rather than simply comply with it. Still, it will be useful to study the role of institutional logics on organizational responses to legislative prescriptions in a variety of legislative settings. Hence, contested legislative issues such as “Anti-Discrimination legislation” are particularly likely to trigger the construction of meaning by organizations (Edelman & Stryker, 2005; Talesh, 2009). Thus, the role of institutional logics in organizational responses to legislative prescriptions is potentially impacted by the particular “nature” of a legislative issue.

Finally, our measures of institutional logics might be called arbitrary since we are only able to indirectly measure regional and societal understanding of the “appropriateness” of inclusive organizational practices. In this context, the availability of data constrains us from distinguishing “central” institutional logics (Friedland & Alford, 1991)—that is to say, market, state, family, democracy, and religion—in analyses. In other words, we portrayed the shared societal-level and regional-level understandings of inclusive practices as a function of the prescriptions from different central logics. Consequently, we assume that prescriptions from different institutional logics have equal weight in organizations’ processing of institutional demands. We encourage scholars to differentiate the institutional logics and their constellations to further develop our understanding of the influence of logics in organizations’ responses to institutional demands in the form of legislative prescriptions. In particular, these studies can control for the link between institutional logics and power structures (see e.g., Lounsbury, 2002; Thornton & Ocasio, 1999), to further unravel how institutional complexity proceeds in organizational decision making.

## **Conclusions**

Our study examined the influence of societal and regional institutional logics on organizational responses to legislative prescriptions. In particular, we theorized that incompatibilities in guidelines from logics operating on different hierarchical levels (societal and regional) play an important role in organizations’ responses to legislative practices. In doing so, we developed a model that predicts organizational responses to legislative prescriptions when facing varying degrees of “vertical institutional complexity”. Unlike studies portraying the legislation as strictly authoritative, we integrate institutional logics as an underlying mechanism that drives organizational behavior. This has enabled a more robust theorization of organizational responses to legislation. Besides, it has helped to demonstrate that the legislation of central institutions filters down through constellations of logics to organizations. In other words, the strength of legislation in altering organizational behavior is a function of prevailing institutional logics.







## CHAPTER 5: The influence of community-level regulative and normative pressures on organizations' engagement in social actions

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## CHAPTER 5: THE INFLUENCE OF COMMUNITY-LEVEL REGULATIVE AND NORMATIVE PRESSURES ON ORGANIZATIONS' ENGAGEMENT IN SOCIAL ACTIONS

This study provides a framework that explains how regulative and normative pressures, stemming from community logics at the community level, promote a more inclusive labor market. To test our framework, we built a large and unique four-year panel dataset consisting of data from 244 Dutch communities. We find that strong normative pressures to achieve the inclusion of vulnerable groups are beneficial for reducing inequality in employment. However, we did not find this to be the case for communities that had strong regulations to encourage organizations to include vulnerable groups. In addition, we did not find that communities with strong norms have strong regulations on inclusion and vice versa. Surprisingly, we found that strong norms can act as a substitute for weak regulations and the other way around. The effect of regulative pressures on organizations in encouraging inclusion is dependent on the relative strength of norms prevailing within the community. The effect of weak regulations becomes stronger when there are stronger norms on inclusion, whereas this effect is virtually zero for communities with relatively strong norms. Together, our results indicate that complex interactions among institutions—in particular, regulative and normative—establish how grand challenges are enacted among communities and translated into organizations' engagement in social actions.

### Introduction

To address the inequality of vulnerable groups in employment—for example, people with disabilities and people with immigration status—the Dutch government shifted its passive labor market regulations to active mode. While passive regulations aim for income protection of vulnerable groups, active regulations promote the inclusion of vulnerable groups in mainstream work. For instance, the central government adopted the “Participation Act” on the 1st of January 2015. The statute aims to guide and support everyone eligible for work to find and maintain employment, creating a more inclusive labor market. Still, the labor participation of vulnerable groups in the Netherlands lags behind other European countries (Prins & van Vuuren, 2015). This may be because the execution of the Act is decentralized and, consequently, local government is responsible for promoting the inclusion of vulnerable groups. The Participation Act provides a variety of legislative means and instruments that local government can utilize to stimulate an inclusive labor market. However, that does not mean that local government must adopt all these means and instruments. Consequently, when measures are not prescribed, variation in policy is the result (Sociaal en Cultureel Planbureau, 2019). It is this lack of unequivocalness that hinders organizations from employing people from vulnerable groups (Sociaal en Cultureel Planbureau, 2019) and creating an inclusive labor market. Thus, Dutch organizations face different legislative stimuli to employ people from vulnerable groups, depending on their geographical location.

Indeed, scholars argue that it is the geographical location of organizations where the consequences of grand challenges—that is to say, the inclusion of vulnerable groups—are reflected and enacted (Marquis & Battilana, 2009; Peredo & Chrisman, 2006). Recently, there is increased interest in studying geographic communities and organizations' engagement in social actions to address the grand challenges (Ferraro, Etzion, & Gehman, 2015; Marwell & McQuarrie, 2013). These

studies found several community-level conditions that might underlie organizations' social action. Firstly, scholars discovered that regulative pressures from local government (King & Lenox, 2000) stimulated organizations' social actions (Marquis et al., 2007). Secondly, normative pressures stemming from community logics can encourage organizations to engage in social actions. Community logics are a collective, shared understanding encompassing norms on appropriate organizational behavior (Marquis et al., 2007) to which organizations comply in order to remain legitimate (Berrone, Gelabert, Massa-Saluzzo, & Rousseau, 2016). In addition to this direct constitutive mechanism of community logics on organizations, scholars also found that community logics can act as a "filter" through which organizations interpret and act upon regulative pressures (Greenwood et al., 2010; Lee & Lounsbury, 2015). Moreover, in decentralized states such as The Netherlands, local governments adjust central government's legislative prescriptions to local conditions (Greenwood et al., 2010) where shared norms among a community—community logics—are likely to play an important role (Haider-Markel & Meier, 1996; Marquis, Lounsbury, & Greenwood, 2011; Mooney & Lee, 2000). Therefore, we posit that studying community-level (a) regulative pressures, (b) normative pressures and, (c) their interaction could help to build a solid analytical framework to explain organizations' engagement in social action (Leca, Battilana, & Boxenbaum, 2008), such as the inclusion of vulnerable groups.

We test our theory by examining the inclusion of vulnerable groups in 244 Dutch municipalities, which we define as communities (Greve & Rao, 2012; Lounsbury, 2007), within the 2014-2018 period. Our study contributes to several areas of research. Firstly, it advances the literature on grand challenges by proposing a conceptual framework that includes the institutional pressures influencing organizations' engagement in social actions. Secondly, we contribute by speaking to the renewed interest in the role of communities (municipalities) in organizational behavior (Greenwood et al., 2010; Guthrie & McQuarrie, 2008; Lounsbury, 2007; Marquis, Glynn, & Davis, 2007; Marquis & Lounsbury, 2007; Romanelli & Khessina, 2005). We give added weight to the insight that community logics act as a "touchstone" of adequate organizational behavior within an institutional context (see also Greenwood et al., 2010). Moreover, we contribute by showing that normative pressures, stemming from community logics and regulatory pressures, do not reinforce each other in any straightforward manner. Rather than community logics acting as a filter for regulative pressures (Lee & Lounsbury, 2015), we found that community logics act as a substitute for regulative pressures. Under weak regulation, strong norms can encourage organizations to engage in social actions and vice versa. Therefore, we add a degree of nuance to studies that portray regulation working in top-down fashion on organizations (e.g., DiMaggio & Powell, 1983; Fligstein, 1991).

## Theory and hypothesis

There is an increased interest in studying grand challenges—that is to say, large unresolved societal problems—and how organizations contribute by engaging in social actions (Ferraro et al., 2015; Marwell & McQuarrie, 2013). Organizations are located in communities that are "a local level of analysis corresponding to the populations, organizations, and markets located in a geographic territory and sharing, as a result of their common location, elements of local culture, norms, identity and law" (Marquis & Battilana, 2009, p. 286). It is at the community level where the consequences of grand challenges are reflected and enacted (Marquis & Battilana, 2009; Peredo & Chrisman, 2006). Out of empirical concerns, we follow earlier work (Greve & Rao, 2012; Lounsbury, 2007) and define Dutch municipalities as communities. Organizations addressing grand challenges, such as inequality in the labor market, are influenced by community-level institutional pressures (Marquis et al., 2007), among



which are regulative and normative pressures (Marquis et al., 2007). Regulative pressures come from municipal regulations (King & Lenox, 2000) that mandate organizations to engage in social actions (Marquis et al., 2007) by, for example, including people from vulnerable groups in their workforce. Normative pressures come from community logics and are related to variation in organizational behavior among communities (Lee & Lounsbury, 2015; Lounsbury, 2007). Community logics are shared understandings of “how things are done around here” and “what is right around here” (Marquis et al., 2007, p. 934). Community logics act as reference templates for organizational behavior and form a lens through which organizations interpret and act upon regulative pressures (Greenwood et al., 2010; Lee & Lounsbury, 2015) as, for instance, by engaging in social actions. In addition, it is likely that regulative pressures themselves are subject to community logics. That is to say, local authorities adjust regulative pressures to local conditions (Daley & Garand, 2005; Karch & Cravens, 2014; Sapat, 2004), such as the widely held beliefs reflected in community logics (Boch Waldorff & Greenwood, 2011).

Currently, we lack a solid analytical framework of organizations' ability to address grand challenges by engaging in social action (Leca et al., 2008). Such a theoretical framework requires careful consideration of regulative and normative forces within communities, and it can address the interrelatedness of the pressures.

### ***The relationship between normative pressures and the inclusion of vulnerable groups***

Studies on communities have shown that shared beliefs and values have a profound impact on social actors (Galaskiewicz, 1985; Marquis & Lounsbury, 2007; Marquis et al., 2011), under which organizations. Community logics have been related to organizational behavior, in terms of acquisition (Marquis & Lounsbury, 2007), the professionalization of the organization (Lounsbury, 2007), corporate governance structures (Molotch et al., 2000), and social action (Marquis et al., 2007). Community logics originate from historic patterns, regulatory structures, social norms, and shared prevalence of organizational forms (Marquis & Battilana, 2009). Therefore, community logics have the potential to vary substantially across communities (Greenwood et al., 2010; Lounsbury, 2007). Community logics set normative frameworks within communities, in the sense that they specify “how things are done around here” and “what is right around here” (Marquis et al., 2007, p. 934). Given organizations' attempts to remain legitimate within their communities (Berrone et al., 2016), organizations are likely to comply with normative pressures from those communities. Based on these arguments, we expect Dutch communities to vary in terms of their community logics— and, consequently, in the relative strength of norms that pressure firms to engage in social actions, such as the inclusion of vulnerable groups. Thus, we expect that, in Dutch municipalities with stronger norms on the inclusion of vulnerable groups, inclusion on the community level is higher than in municipalities with less strong norms. Our baseline hypothesis:

**HYPOTHESIS 5.1** *The stronger the norms on the inclusion of vulnerable groups prevailing in a municipality, the higher the actual inclusion.*

### ***The relationship between regulative pressures and the inclusion of vulnerable groups***

Local government can establish and enforce rules that can affect organizational behavior

(Scott, 2001). Municipal regulations can encourage organizations to engage in social actions (Marquis et al., 2007), through influencing organizations' employment practices on race and gender discrimination (Brief et al., 2005; Guthrie & McQuarrie, 2005b; Marquis & Battilana, 2009). Local regulations signal expectations regarding the social action of organizations (Campbell, 2007), who are inclined to comply in order to remain legitimate. Thus, regulative pressures do not necessarily specify sanctions and punishments (DiMaggio & Powell, 1983) in order to encourage desirable social actions such as philanthropic giving (Marquis et al., 2007). Local governments with stronger regulations, it is argued, are better able to encourage social change among organizations (Berrone et al., 2016; Brief et al., 2005; Guthrie & McQuarrie, 2005a; Marquis & Battilana, 2009). Moreover, it has been suggested that a local government prepared to strengthen incentives (e.g., tax breaks) is likely to more strongly encourage social actions by organizations (Marquis et al., 2007). Given that The Netherlands is decentralized, the regulations that local authorities have adopted to promote the inclusion of vulnerable groups in mainstream work are diverse. Thus, the municipality in which an organization is located will determine the strength of the regulations on inclusion. In consequence, we predict that municipalities with stronger regulations regarding inclusion of vulnerable groups, will have higher inclusion numbers than communities with less strong regulations. Formally stated:

**HYPOTHESIS 5.2** *The stronger the municipal regulations on the inclusion of vulnerable groups, the higher the actual inclusion within the municipality.*

### *The impact of normative pressures on regulations*

Scholars have already affirmed that community logics influence how organizations respond to regulative pressures (Greenwood et al., 2010; Lee & Lounsbury, 2015). However, we argue that the actual contents of the regulations are influenced by the norms that pervade communities. In decentralized states such as The Netherlands, central government legislation is implemented at the community level by local authorities. In our context, Dutch municipalities are responsible for transposing legal prescriptions from central government's "Participation Act" into municipal regulations. Central government's legislation offers legal frameworks and provides ample room for local adaptation. Regulation studies showed that local authorities adjust legislation to local conditions (Daley & Garand, 2005; Karch, 2007; Sapat, 2004). Implicitly, some studies suggest that community logics are a dimension of these local conditions (from institutional studies: Marquis et al., 2011; from regulation studies: e.g., Haider-Markel & Meier, 1996; Mooney & Lee, 2000). Moreover, Boch Waldorff and Greenwood (2011) argued that local regulation often reflects widely held community norms.

We argue that community logics impact the content of local regulations for several reasons. Investigating the individual level might help to expose the underlying mechanism. Local political actors are embedded in communities and, therefore, their internalized cognitive and motivational factors follow community logics (Thornton & Ocasio, 2008). Given that the behavior of individuals follows these internalized logics (see also Almandoz, 2012; Glynn, 2000; Tilcsik, 2010), their regulative decisions are likely to reflect community logics, at least to some extent. Secondly, community logics define what communities determine as problems and what solutions to these problems look like (see Thornton & Ocasio, 1999). For instance, community logics define the inclusion of vulnerable groups as salient issues. Local politicians are likely to act upon salient issues (Mooney & Lee, 2000) because their focus is on re-election (Mayhew, 1974; Walker, 1969) and they need, therefore, to remain legitimate in the eyes of their electorate. Therefore, we expect that, in Dutch municipalities where stronger norms

regarding inclusion prevail, regulations will be stronger in encouraging inclusion among organizations. Formally stated:

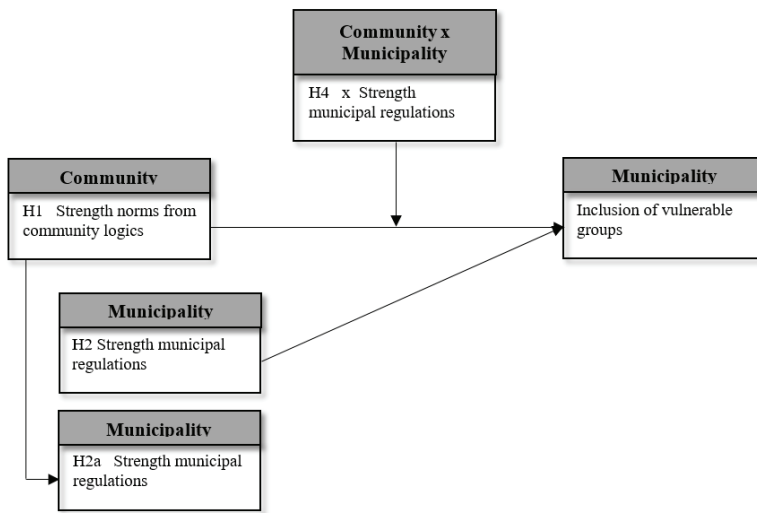
**HYPOTHESIS 5.3** *The stronger the norms on the inclusion of vulnerable groups that prevail in a municipality, the stronger the local regulations in encouraging inclusion.*

### ***The impact of normative and regulative pressures on the inclusion of vulnerable groups***

We theorized that norms reflected in community logics can encourage organizations to engage in social actions, such as the inclusion of vulnerable groups. Moreover, we argued that strong regulative pressures within communities can also stimulate organizations to engage in social actions. We combine these arguments to suggest that normative and regulative pressures can reinforce or weaken each other's influence on organizational behavior. Potentially, local regulations can be more or less aligned with norms from community logics. For instance, in the case of the Dutch "Participation Act", municipalities are provided with a legislative framework that affords room to adjust legislative prescriptions to local conditions. However, even allowing for all this latitude, municipal regulations may still not match community logics. For instance, community logics can veer towards the conservative side and prefer the status quo of employing vulnerable groups in sheltered workplaces, whereas the "Participation Act" fully intends to close sheltered workplaces. A situation of institutional complexity can develop (Greenwood et al., 2011), in which organizations face conflicting prescriptions and organizational responses become unpredictable. Indeed, scholars have shown that community logics can moderate the impact of regulative pressures on organizations (Greenwood et al., 2010; Lee & Lounsbury, 2015). Therefore, alignment between regulative pressures and community logics might more clearly guide organizational behavior than situations of misalignment. Turning to our research context, it is then likely that, in Dutch municipalities with both strong regulative pressures and norms regarding the inclusion of vulnerable groups, inclusion will be highest. Thus:

**HYPOTHESIS 5.4** *The stronger the norms and regulations on the inclusion of vulnerable groups in a municipality, the higher the actual inclusion within the municipality.*

Figure 5.1 provides an overview of the conceptual model, which predicts the inclusion of vulnerable groups in mainstream work among municipalities.



**Fig. 5.1** Conceptual Model of the Impact of Community Logics and Municipal Regulations on the Inclusion of Vulnerable Groups

## Data and method

### *Data and Dependent Variable*

To examine the influence of regulative and normative pressures stemming from community logics on organizations' engagement in social actions, we created a dataset covering 244 Dutch municipalities. Our dataset comprises panel data for the period 2015–2018 on the inclusion of vulnerable groups, prevailing community logics, and municipal regulations. Ideally, our dataset covers an extended period, covering years before and after 2015. Firstly, because the Participation Law was adopted in 2015 by the central government, we can thus expect local transformation, reflected in municipal regulation, from this moment on. Secondly, we hypothesize that causal relationships can best be studied using a longitudinal dataset. Moreover, our strategy has been to include as many Dutch municipalities as possible. In particular, the availability of data on our dependent variable inclusion proved to be a limiting factor on the time span of our dataset. The availability of municipal regulations limited the number of municipalities included in our dataset. We included 244 Dutch municipalities, out of a total of 355 in The Netherlands. The included municipalities are evenly distributed across The Netherlands. In total, we created a dataset of 964 municipal-year observations. Due to missing data, six municipalities have two-year observations rather than the four-year observations for all other municipalities in our dataset.

Data on our dependent variable, inclusion, was retrieved from the Central Bureau of Statistics (CBS). To measure the effectiveness of the Participation Act on inclusion, the CBS collects data on facilities used to stimulate the inclusion of vulnerable groups in mainstream work among municipalities. We posit that, in all likelihood, more facilities are deployed whenever the inclusion of vulnerable groups is relatively low within a municipality. The autonomous administrative authority, “UWV” (Employee Insurance Agency), is responsible for deploying facilities to encourage inclusion. While the utilization of these facilities might be considered a response to municipal policies themselves,

we did not find a correlation. This finding suggests that facilities to stimulate inclusion are deployed irrespective of the strength of municipal regulation. We reverse coded the number of facilities used per 1,000 inhabitants to arrive at our proxy of inclusion. The inclusion variable ranged from 1 to 13.4, where 1 indicates relatively low inclusion and 13.4 indicates relatively high inclusion—for instance, Amsterdam and Arnhem, respectively.

### ***Independent Variables***

To test the mechanism of community logics shaping municipal regulations and promoting the inclusion of vulnerable groups, we generated a variable that captures the relative strength of norms favorable to inclusion. Our variable strength community logics ideally reflects the strength of normative pressures on the inclusion of vulnerable groups. To construct the measure, we compiled a list of three indicators from the sources documented in Table 5.1 that signal community logics' norms favoring inclusion. In selecting indicators, we applied two criteria: (a) face validity as a favorable community logics indicator, and (b) availability across regions and years. The indicators are discussed below, and we refer to their previous use in the relevant literature.

We start our measure with regional kinship based on data from the “Leefbaarometer”. This is an instrument from the Dutch government used to estimate regional kinship based on a variety of indicators, including the degree to which neighbors know each other and the level of active participation in the neighborhood. We posit that this measure is important because evidence exists that regional kinship offers support systems for vulnerable groups (for a literature review, see Amado, Stancliffe, McCarron, & McCallion, 2013). Regional kinship underlies personal and collective well-being (Wilkinson, 2002) because individuals are more likely to accept sacrifices that benefit those with whom they interact (Barry, 1989). Therefore, it is likely that, in municipalities where regional kinship is high, community logics are more supportive of inclusion because people might be more concerned and willing to make personal sacrifices for the collective good. On a related argument, we included an item on perceived loneliness. We argue that individuals experiencing loneliness are less likely to reside in municipalities where community logics are relatively inclusive. Indeed, in a classic work, Oliver (1995) relates perceived loneliness (defined in terms of limited community interactions) to the relative inclusiveness of communities (see also Chappell, 1994). We captured the data from the health survey conducted by CBS in cooperation with the mental health care association (GGZ). Finally, we completed our measure with early school drop-outs based on data from the Education Implementation Service (DUO). We argue, drawing on the social capital perspective, that school drop-outs are related to the relative inclusiveness in a community. In more advanced and inclusive communities, it is more likely that attitudes and norms are transmitted through social networks and ties (Coleman, 1994). This is in contrast to communities where ties and social networks are less common (Wacquant & Wilson, 1989) and where local sources of social capital tend to be weak (Sampson & Groves, 1989; Sampson, Wilson, Hagan, & Peterson, 1995).

Firstly, we standardized these indicators before performing exploratory factor analysis with STATA 14. We found social kinship, loneliness, and early school leavers loading on one factor, with loading ranging from .75 to .80. Table 5.1 shows the items and loadings for the community logics variable.

**Table 5.1** List of Indicators, Loadings, and Community Institutional Logics Variables<sup>a,b</sup>

Variable	Loadings	Indicators
Relative strength community logics	.80	Regional kinship
	.75	Perceived loneliness
	.75	Early school leavers

<sup>a</sup> All indicators were a) coded so that higher values reflect more favorable regional community logics and b) standardized.

<sup>b</sup> Exploratory factor analysis with Promax rotation ( $n=1398$ ). The variables are constructed from the indicators with loading above .30 on the factors (see Comrey & Lee, 1992)

To test the effect of community logics on the content of municipal inclusive policies and the effect of municipal policy on the inclusion of vulnerable groups, we constructed a measure on the relative stimuli from municipal policies. By employing text mining techniques, we measured the relative document similarity between a policy and a policy template using cosine similarity (Han, Kamber, & Pei, 2011; Leydesdorff, 2005), for each municipality in our dataset. Access to the policy template was kindly provided by the SDU, which is a publisher of professional (legal) information. In situations where central governmental policies need to be transposed into municipal policies, SDU offers policy templates that can guide municipalities through the process and act as a reference. In the case of the Participation Act, the policy template includes all the possible legislative means to stimulate inclusion that a municipality can—but does not have to—implement. Given that the policy template is the most comprehensive in stimulating inclusion, we argue that municipalities with policies more similar to the policy template tend to more strongly promote the inclusion of vulnerable groups. In other words, the policy template acts as a reference against which we measure the relative document similarity of each municipal policy. The more a municipal policy is similar to the policy template, the more the inclusion of vulnerable groups will be promoted.

In turn, we retrieved policy text documents from the official Dutch government's website: [www.overheid.nl](http://www.overheid.nl), for 244 Dutch municipalities. We followed several text document pre-processing steps before we could derive our variable. Firstly, we converted all documents from xml files into raw text (txt) files with utf-8 encoding. Secondly, to unify the text document data, we removed punctuation marks, transformed content to lowercase characters, removed numbers, stripped white space, eliminated common Dutch stop words, and reduced the words to their stems to lessen the variability of vocabulary using the 'tm' package in R (Feinerer & Hornik, 2012). Thirdly, we generated n-grams from an order of  $n = 2$  and up to an order of  $n = 3$  in the text of retrieved documents. N-grams with an order of 2 or 3 can be denoted as a combination of two or three sequential words respectively, such as "behoud uitkering" (sustain benefits) or "noodzakelijkheid verrichten mantelzorg" (necessity informal care). In comparison to unigrams with an order of 1, n-grams generate a more insightful representation of meaning in the text. Fourthly, we transformed the generated n-grams into a "bag-of-words" representation and converted it into a document term matrix for further operations. Additionally, to reduce "statistical noise" and to increase the accuracy of document comparison, we eliminated less meaningful n-grams by restricting the document term matrix to terms that appear in at least 55 (22.5%) documents but in not more than 85% of documents. Thus, we created a final matrix consisting of 4,259 unique n-grams with an order from 2 to 3, distributed over 244 documents.

To derive our variable and compare the content of municipal inclusive policies, we computed the cosine similarity metric (Han et al., 2011; Leydesdorff, 2005; Magerman, Van Looy, & Debackere, 2015) between all municipality policies and a policy template using the cosine function from the 'lsa' package in R (Wild, 2015). Since our document term matrix enables us to represent documents (i.e., policies) as term vectors, cosine similarity is a metric that measures the cosine of the angle between

two vectors, computed as an inner product of two vectors, divided by the product of their Euclidean norms (Han et al., 2011; Magerman et al., 2015). All municipalities adopted policies in January 2015 in response to the central government's Participation Law adopted on the 1st of January 2015. We assume that municipal policies remained the same over the period in our dataset. The municipal policy variable ranged from 0.06 to 0.87 respectively, suggesting a 6% similarity and 87% similarity with the policy template. A value closer to "1" indicates a smaller angle between vectors and a higher similarity between a particular municipality policy and a policy template and, therefore, more stimulating municipality. Conversely, a value closer to "0" indicates less strong municipal policy in stimulating the inclusion of vulnerable groups.

### **Control variables**

Our models include several controls because there may be pertinent influences on inclusion other than community logics and municipal regulations. Firstly, we included a variable capturing the availability of work within a municipality. Our purpose was to control for the idea that inclusion of vulnerable groups is harder when the availability of jobs is relatively scarce — that is to say, a slack labor market (see, for instance, MacKay, 1999). The data ranged from 37 to 8,854 jobs per 1,000 inhabitants. We captured the data from LISA, which provides employment data for municipalities in The Netherlands. Secondly, we control for municipal size, measured by the number of inhabitants. We include this control variable because it is argued that municipal size is positively related to the efficiency of regulatory reform and delivery of public services (for instance, Martins, 1995). The data was captured from the CBS and, in particular, the "Population Statistic Dataset". The data ranged from 3.2 to 655.1, given in one thousand. Finally, we included dummies for the different labor market regions (COROP) in The Netherlands. Multiple municipalities are located in a region. For instance, the municipalities of Hulst, Terneuzen, and Sluis are located in the region Zeeuwsch-Vlaanderen. Drawing on the regulation diffusion perspective, we aim to control for the idea that a local municipality's regulation choice is influenced by the regulation choice of a neighboring municipality (for instance, Gilardi, 2010; Simmons & Elkins, 2004)

### **Empirical strategy**

Given that our dataset comprises panel data, we could run random-effects models using the `xreg-` routine in STATA 14. We used random-effects models for several reasons. Firstly, random-effects models control for unobserved heterogeneity at the municipal level (Allison, 2009; Halaby, 2004; Wooldridge, 2010) and support causal inferences (Vaisey & Miles, 2017). Hence, observations are nested in communities, and failing to control for this data structure would mean our models would be wrongly specified because standard errors and confidence intervals can be misleading (e.g., Cameron & Miller, 2015; Ibragimov & Müller, 2016). Secondly, the municipal regulation variable is time invariant. Although its value varies between municipalities, it remains the same over the years. Running fixed-effects models would falsely result in the absorption of the municipal regulation variable in the intercept. We lagged our community logics by one year out of endogeneity concerns (Allison, 2009).

To assess the relationship between community logics and the content of municipal regulations, we ran OLS regression with dummies for region and years in our dataset. Given our dependent variable strength, municipal regulation is time invariant, we cannot run a random-effects model because the panel perfectly correlates with the dependent variable. However, we are concerned with the direct effect of community logics on the content of municipal regulations. Given this purpose,

we can relax the requirement to adequately capture the panel data structure of our dataset. Time-lagging explanatory variables to avoid issues to do with reverse causality receive scant criticism (see Bellemare, Masaki, & Pepinsky, 2017; Reed, 2015). In addition, we ran several structural equation models. We used the GSEM routine in STATA 14, so that we could adequately capture the panel-data structure of the dataset in our model. Furthermore, we tested for a potential mediating role of municipal regulations on the relationship between community logics and inclusion.

## Results

We tested Hypothesis 5.1-3 by modeling inclusion among 244 Dutch municipalities between 2015 and 2018. Summary statistics of the variables in our analysis are reported in Table 5.2. We run the variance inflation factor (VIF) analysis to confirm that multicollinearity was causing no problems (mean VIF = 3.14; max. VIF = 6.95). In Table 5.3, Model 1 is a baseline with only the control variables included. Firstly, in contrast to our expectations, we did not find that the availability of work in a municipality affects the inclusion of vulnerable groups. Thus, while scholars (for instance, MacKay, 1999) argue that inclusion can be hindered in labor markets where the availability of jobs is relatively scarce, we did not find any evidential support for this effect. Secondly, we did not find that larger municipalities are more efficient in regulation reform and delivering public service (for instance, Martins, 1995), and thus stimulating the inclusion of vulnerable groups. We discuss Hypotheses 5.1, 5.2, and 5.4 first of all. We then follow up with Hypothesis 5.3 because we used two different models to test our predictions; its results are listed in Table 5.3 and Table 5.4, respectively.

In Model 2, we tested the effect of community logics and municipal regulations on the inclusion of vulnerable groups in mainstream work. Here, we added the variables community logics and municipal regulations to the baseline model (Model 1). Hypothesis 5.1 predicted that municipalities with stronger norms on inclusion, stemming from community logics, have higher inclusion of vulnerable groups. That is because organizations act in response to both community logics to remain legitimate in the eyes of the community (e.g., Lounsbury, 2007; Thornton, 2002, 2004) and regulation reform (Greenwood et al., 2010). Consistent with our prediction, we found that stronger norms within a community underlie greater inclusion of vulnerable groups. In other words, the results indicate that the inclusion of vulnerable groups is likely higher in municipalities that have relatively stronger norms on inclusion than municipalities with less strong norms. Thus, we found support for Hypothesis 5.1. The predictive effect of community logics on the inclusion of vulnerable groups is illustrated in Figure 5.2, using the `Margin` routine in STATA 14. The inclusion of vulnerable groups is estimated to increase when community logics encompass stronger norms on inclusion. Hypothesis 5.2 predicted that stronger municipal regulations positively affect the inclusion of vulnerable groups (see Kirton & Trebilcock, 2004). However, in contrast to our predictions, we found no support for Hypothesis 5.2 in Model 2.

In Model 3, we tested the combined effect of community logics and municipal regulations on the inclusion of vulnerable groups. Here, we add the interaction term community logics x municipal regulations, to Model 2. Hypothesis 5.4 predicted that the inclusion of vulnerable groups is especially high in municipalities where community logics have stronger norms on inclusion and have stronger regulations. We find a negative significant interaction effect, suggesting that stronger norms and regulation negatively affect the inclusion of vulnerable groups. However, a closer look revealed a cross-over interaction or "qualitative" interaction (Peto, 1982a) rather than the linear relationship that we



predicted. This suggests that the effect of community logics on the inclusion of vulnerable groups depends on the strength of municipal regulations. On the other hand, the effect of municipal regulation on the inclusion of vulnerable groups depends on the relative strength of norms on inclusion. These results suggest that community logics and municipal regulations do not simply reinforce each other, but their distinct configurations affect the inclusion of vulnerable groups. This can be seen in Figure 5.3 where we plotted the predictive change in the inclusion of vulnerable groups when community logics interact with varying levels of municipal regulations. *Ceteris paribus*, in situations of less strong norms and weaker municipal regulations, inclusion tends to be lower in comparison to the situation where norms are weaker but municipal regulations strong. However, when the strength of community logics on inclusion increases, inclusion tends to be higher under weak regulations than when regulations are strong. In other words, the effect of strong regulations remains relatively robust under varying levels of normative pressures stemming from community logics. In contrast, the effects of weak regulations on the inclusion of vulnerable groups are highly dependent on community logics.

Table 5.4 shows Model 4, where we tested whether the strength of municipal regulations is affected by prevailing community logics within a municipality. Hypothesis 5.3 predicted that municipal regulations are stronger in municipalities where community logics involve strong norms on inclusion. This is because community logics are likely to be affected by the transposition of central governments' legislation into local regulations (see also, Boch Waldorff & Greenwood, 2011). In contrast to our predictions, we found no support for Hypothesis 5.3 in Model 4.

**Table 5.2** Descriptive Statistics and Pairwise Correlations

Variable	Mean	S.D.	1	2	3	4	5
1 Inclusion people with disabilities	1.02	2.03	1.00				
2 Strength community logics	12.3	1.15	0.07*	1.00			
3 Strength municipal regulation	0.56	0.22	-0.03	-0.07*	1.00		
4 Availability of employment	597.98	397.09	0.02	0.03	-0.03	1.00	
5 Size of municipality	65.68	32.74	-0.03*	-0.04	0.02	0.02	1.00

**Table 5.3** Results of Panel Random-Effects Models Predicting the Inclusion Rate of Vulnerable Groups in 244 Dutch Municipalities, 2014-2018

Variable	Model 1	Model 2	Model 3
<i>Control variables</i>			
Availability of employment	.01	.01	.01
Size of municipality	-.01	.01	.01
<i>Regional (dummies)</i>			
Agglomeratie Gravenhage	.99	1.63*	1.50
Agglomeratie Haarlem	-.50	-.73	-.81
Agglomeratie Leiden en Bollenstreek	1.46*	1.75*	1.69**
Alkmaar en omgeving.03	.03	.28	.21
Arnhem/Nijmegen	.65	1.2*	1.12*
Delft en Westland	1.30	1.73*	1.69*
Delfzijl en omgeving	.90	1.67	1.81
Flevoland	.29	.49	.51
Groot-Amsterdam	.76	.96*	.97
Groot-Rijmond	1.96*	2.35**	2.19*
IJmond	1.66*	1.94*	1.76*
Kop van Noord-Holland	1.47	1.91*	1.81*
Midden-Limburg	-.19	-.12	-.24
Midden-Noord-Brabant	-.11	.26	.19
Noord-Drenthe	2.65**	2.62**	2.55**
Noord-Friesland	.72	.89	.82
Noord-Limburg	1.37*	1.46*	1.37*
Noord-Overijssel	.27	.30	.36
Noordoost-Noord-Brabant	.79	.91	.82
Oost-Groningen	.42	1.79	1.63
Oost-Zuid-Holland	1.30	1.74	1.68
Overig Groningen	.30	.92	.89
Overig Groot-Rijmond	1.56	1.54	1.52
Overig Zeeland	-.63	-.18	-.26
Rijnmond	.15	1.05	1.17
Twente	.58	.60	.52
Utrecht	.68	.84	.81
Veluwe	.29	.11	.10
West-Noord-Brabant	.79	1.14*	1.09
Zaanstreek	-.13	-.18	-.19
Zeeuwsch-Vlaanderen	1.33	1.69	-1.64
Zuid-Limburg	.29	.59	.56
Zuidoost-Drenthe	.45	.58	.53
Zuidoost-Friesland	.51	1.09	1.01
Zuidoost-Noord-Brabant	1.62**	1.80**	1.63**
Zuidoost-Zuid-Holland	.72	.90	.83
Zuidwest-Drenthe	-.05	.10	.09
Zuidwest-Friesland	1.09	.3	.24
Zuidwest-Gelderland	1.83**	1.48*	1.43*
Zuidwest-Overijssel	.27	.47	.57
<i>Independent variables</i>			

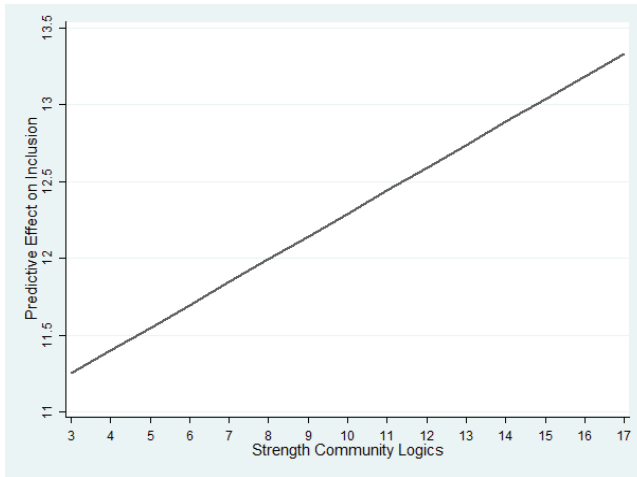


Fig. 5.2 Predictive Effect of Strength of Community Logics on Inclusion Rate of Vulnerable Groups in 244 Dutch Municipalities, 2014-2018

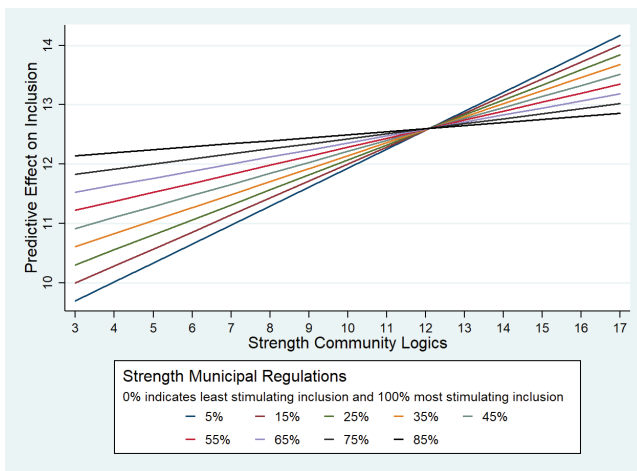


Fig. 5.3 Predictive Effect of Municipal Regulations and Strength Community Logics on Inclusion Rate of Vulnerable Groups in 244 Dutch Municipalities, 2014-2018

Table 5.4 Result of Regression Model with Robust Standard Errors Predicting the Content of Municipal Regulations in 244 Dutch Municipalities, 2014-2018

Variable	Model 4
<i>Control variables</i>	
Availability of employment	-.01
Size of municipality	.01
Regional (dummies)	
Agglomeratie Gravenhage	-.06
Agglomeratie Haarlem	.01
Agglomeratie Leiden en Bollenstreek	.05
Alkmaar en omgeving.	.15***

Arnhem/Nijmegen	.18***
Delft en Westland	.28***
Delfzijl en omgeving	.43***
Flevoland	.05
Groot-Amsterdam	.19**
Groot-Rijmond	-.09**
IJmond	.18
Kop van Noord-Holland	.46***
Midden-Limburg	-.24***
Midden-Noord-Brabant	-.36***
Noord-Drenthe	.17**
Noord-Friesland	.17***
Noord-Limburg	.05
Noord-Overijssel	-.05**
Noordoost-Noord-Brabant	.27***
Oost-Groningen	.08
Oost-Zuid-Holland	.52***
Overig Groningen	.28***
Overig Groot-Rijnmond	.07***
Overig Zeeland	-.31***
Rijnmond	.16
Twente	.13**
Utrecht	.15**
Veluwe	.05
West-Noord-Brabant	.24***
Zaanstreek	-.09***
Zeeuwsch-Vlaanderen	.22***
Zuid-Limburg	.18**
Zuidoost-Drenthe	.18
Zuidoost-Friesland	.29***
Zuidoost-Noord-Brabant	.27***
Zuidoost-Zuid-Holland	.05**
Zuidwest-Drenthe	-.06**
Zuidwest-Friesland	.07***
Zuidwest-Gelderland	.06
Zuidwest-Overijssel	.16
<i>Independent variables</i>	
Strength community logics	-0.01
Inclusion	-0.01
Jaar 2016	0.01
Jaar 2017	0.01
Jaar 2018	0.01

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Some of the results of the control variables in Model 4 are worthy of note. In Model 4, we added regional dummies to control for the idea that regulations in one municipality are likely to have similarities with regulations in municipalities located in the region. According to regulation diffusion theorists (for instance, Gilardi, 2010; Simmons & Elkins, 2004), local municipalities' regulation choices are influenced by regulation choices made in a neighboring municipality. While we predicted that community logics play a role in the content of municipal regulations, it seems that the regional location of municipalities is more determinative of the content of municipal regulations.

### **Supplementary analysis**

We ran several models to bring nuance to our findings and rule out alternative explanations. To avoid problems with reverse causality, we ran our models with time-lagged explanatory variables. This method has been subject to criticism (see: Bellemare et al., 2017; Reed, 2015) and, therefore, we used the alternative of cross-lagged structural equation models to assess the robustness of the causal relationships found (Finkel, 1995). We used the `xtpdml` routine in STATA 14, which is specially developed for this purpose by Williams, Allison, and Moral-Benito (2019). Additionally, as with the random-effects models we used in our main analysis, the routine allows the inclusion of time-invariant variables, controls for potential cofounders, and thus reveals potential reverse causality bias. After changing the long form of our dataset into a wide form using the `Reshape` function in STATA 14, we ran the `xtpdml` routine to estimate the dynamic panel data model. The results closely matched the results of our main random-effects models. In addition to estimating the models under varying specifications, we ran models to assess whether the strength community logics variable mediates a relationship between municipal regulation and inclusion of vulnerable groups. We found no proof for full or partial mediation of community logics.

## **Discussion and conclusion**

In this study, we ascribed an important role to communities in explaining the variation in organizational behavior (Lounsbury, 2007; Marquis & Battilana, 2009; Marquis & Lounsbury, 2007) in response to grand challenges (Berrone et al., 2016). We concentrated on geographical communities specifically, because it is the geographical location where the consequences of grand challenges are reflected and enacted (Marquis & Battilana, 2009). We propose two community-level pressures that can encourage organizations to adopt societal actions: (a) normative pressures from community logics, and (b) regulative pressures from local government (Marquis et al., 2007). Firstly, it is worthwhile to consider the relation between community logics and organizations' societal action. Institutional logics are defined as "the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality" (Thornton & Ocasio, 1999, p. 804). Institutional logics operate on different conceptual levels (societal-field and organizational-field levels) among various communities (Marquis et al., 2007). Scholars have already established relationships between community logics and organizational behavior (Greenwood et al., 2010; Lee & Lounsbury, 2015) and suggest they exert an impact on organizations' societal actions (Marquis et al., 2007). Organizational practices are a result of and are legitimized by normative pressures from community logics (Greenwood et al., 2010). Community logics vary among communities as they originate from historic patterns of regulatory structures, social norms, and the shared prevalence of organizational forms (Marquis & Battilana, 2009). That is not to say, however, that any community logics would undervalue societal action; rather, they vary in the strength of their norms concerning the employment of vulnerable

groups. Therefore, organizational forms may vary as a function of variation in community logics (Guthrie & McQuarrie, 2008; Marquis et al., 2007; Marquis & Lounsbury, 2007; Romanelli & Khessina, 2005), and it is the same for social actions.

Secondly, let us examine the relationship between regulation and organizations' societal action. Local authorities can use regulation to promote organizations' social actions (King & Lenox, 2000). Local government can enforce rules that affect organizations' social actions, such as matters concerning race and gender discrimination (Guthrie & McQuarrie, 2005b; Marquis & Battilana, 2009) and corporate philanthropy (Marquis et al., 2007). In communities with stronger regulations, local authorities signal expectations regarding social actions (Campbell, 2007) that organizations are likely to comply with to remain legitimate (Scott, 2001). We posit that the content of regulations is influenced by community logics—that is to say, norms prevailing within a community. In decentralized states (Greenwood et al., 2010), local authorities tend to adjust regulations to local conditions (Daley & Garand, 2005; Karch & Cravens, 2014; Sapat, 2004) of which community logics may be an important dimension (from institutional studies, Marquis et al., 2011; from regulation studies, e.g., Haider-Markel & Meier, 1996; Mooney & Lee, 2000). Local authorities may align regulations with the normative expectations of a community for several reasons. Firstly, political actors tend to focus on their re-elections and, therefore, act to preserve their legitimacy in the eyes of their electorate (e.g., Kiewit & McCubbins, 1985; Mayhew, 1974; Walker, 1969). Secondly, political actors are locally embedded and are, therefore, likely to possess internalized cognitive and motivational factors that follow community logics (Thornton & Ocasio, 2008). Thus, we argue that organizations' societal actions can be explained by the conjoint influence of normative and regulative pressures within communities.

We developed and tested these arguments in a study with panel data from 244 Dutch municipalities, which we define as communities (see Greve & Rao, 2012; Lounsbury, 2007), from 2014 to 2018. Consistent with our theory, we found that community logics play a direct role in organizations' societal action—namely, the inclusion of vulnerable groups—and explain the variation across communities. Specifically, we found that, in communities with strong inclusive norms, inclusion tends to be higher compared to communities with weaker normative frames. Interestingly, we did not find that stronger regulations encourage societal actions nor that community logics impact regulations. However, we did find that regulations and community logics interact. In particular, we discovered that strong community logics can substitute for weak regulations in encouraging societal action. Thus, in communities with weak regulative pressures but strong norms regarding social action, the inclusion of vulnerable groups tends to be high. Our study confirms the importance of communities for organizations' societal actions (Greenwood et al., 2010; Guthrie & McQuarrie, 2008; Lounsbury, 2007; Marquis, Glynn, & Davis, 2007; Marquis & Lounsbury, 2007; Romanelli & Khessina, 2005) and calls for deeper integration of regulative and normative pressures from community logics, which we argue is critical in explaining organizations' societal actions and in addressing grand societal challenges.

### ***Implications for Research***

Our results invite scholars to consider institutional alignment and organizations' societal actions. In particular, the alignment of regulative and normative pressures and their effectiveness in addressing grand challenges on a community level. Regulative and normative pressures from community logics do not reinforce each other in encouraging societal action in a straightforward manner, as suggested in previous studies (Lee & Lounsbury, 2015). Rather, the effect of normative pressures on organizations' societal actions is dependent on the strength of regulative pressures within

communities. Put differently, the strength of regulative pressures on organizations' societal actions depends on the strength of normative pressures within communities. Therefore, the theory may fall short in explaining societal actions in the local context. This cautions that previous theoretical insights should be considered carefully when applied to societal problems, such as the inclusion of vulnerable groups, on the community level.

We proffer two alternative explanations for our findings. The first explanation involves the embedding of regulatory pressures in a wide sphere of community normative frameworks (see also, Lee & Lounsbury, 2015). Regulatory effects on organizations seem straightforward. However, studies have shown that regulation is often highly ambiguous and subject to active meaning construction (e.g., Edelman, 1992). The meaning of the regulation is deduced by drawing on broader cultural norms (Edelman, 2002, 2005, 2007) embedded in community logics. Organizations do not act upon regulations in their "pure" form but rather on their collective constructed 'meaning', which varies from community to community (Guthrie & McQuarrie, 2005b). When there is more agreement within a community concerning appropriate responses to regulation, it is more likely that organizations will enact those actions (Marquis et al., 2007). The relevance of community logics in defining appropriate responses to regulation is more significant when local regulation is weaker in comparison to strong local regulation. It is reasonable to assume that this comes from the fact that stronger regulation tends to be clearer in specifying the desired action than weaker regulation is (see Edelman, 1992). We argue that it is fruitful to consider community-level regulatory institutions against the background of normative institutions to understand the conditions under which regulation becomes effective and contributes to grand challenges.

The second explanation is that community logics in itself is sufficient to stimulate actions that contribute to grand challenges and that regulations play a facilitating role. The relationship between community logics and organizational behavior at the community level has received scant attention (Lee & Lounsbury, 2015; Marquis & Battilana, 2009; Thornton & Ocasio, 1999). Studies have shown that organizations are likely to act according to logics to remain legitimate in the eyes of a referent audience (Lounsbury, 2007; Thornton, 2002, 2004); in our case, the community. Moreover, logics underlie the organizational response to regulatory pressures. For instance, Greenwood et al. (2010) showed how community logics affect the organizational response to regulations that legitimated workforce downsizing in Spain. We posit that regulations can enhance the effects of community logics on organizations to employ vulnerable groups, by indicating that local authorities attach importance to the matter. Firstly, studies have shown that logics backed by governmental authorities tend to have more impact on organizations (Greenwood et al., 2010). Secondly, as noted earlier, organizations seek endorsement from important referent audiences within communities (Marquis et al., 2007), of which governmental authorities are the most important (Scott, 2001). Regulations can signal government-favored models (Weber, 1978)—also referred to as the normative effect of regulations (Dobbin, 2009; Edelman & Suchman, 1997). Thirdly, studies have suggested that, for the effective implementation of organizational practices into norms, some form of governmental involvement is necessary (Christmann, 2004; Popp, 2003; Short & Toffel, 2010). Therefore, while community logics in themselves can stimulate organizations to address grand challenges, they may experience additional support when local authorities ascribe importance to the matter through the adoption of regulations.

### ***Policy Implications***

We offer recommendations for regulations to address the inequality of vulnerable groups.

Firstly, local authorities may be able to enhance the effectiveness of legislation in stimulating organizations to employ people from vulnerable groups on the community level. In particular, it seems worthwhile to consider regulatory decisions against prevailing community logics in the community. Local agencies can develop more accurate regulatory measures by integrating community conditions and, in particular, community logics. In communities with strong normative pressures to adopt social practices, local authorities can adopt less drastic and encompassing regulations in contrast to communities with less strong normative frames. In communities with strong norms, the market itself seems more capable of accommodating the inclusion of vulnerable groups, while this is less the case in communities with weaker norms, where the market seems to need greater encouragement from regulation to address grand societal challenges.

### **Limitations**

As with any other research, our study has some limitations that we believe can form the starting point for future research into grand challenges at the community level. First of all, due to data constraints, some of our measures might be relatively rough proxies of our constructs. For instance, our measure of organizations' societal action—the inclusion of vulnerable groups—is derived from the relative number of facilities used to encourage inclusion. This can be problematic for two reasons. Firstly, the measure is on the community level, while measures on an organizational level might more accurately capture organizations' social action in response to regulative and normative pressures. Secondly, utilizing facilities may already signal the importance that local governments attach to grand challenges. However, we did not find correlations between local governments' regulations and the deployment of facilities. Most likely, this is due to the fact that an autonomous administrative authority, "UWV" (Employee Insurance Agency), is responsible for deploying facilities to encourage inclusion. Nevertheless, we encourage scholars to consider other measures of social action because it may well yield greater granularity in the effectiveness of regulative and normative pressures on organizations tackling grand challenges.

The second point is that we derived the relative strength of regulation by comparing municipal regulations to a standard regulation template using machine learning. We argued that the strength of a municipal regulation is indicated by how closely it matched the standard template. This is because the standard regulation template comprises all possible means to encourage inclusion that municipalities can adopt but are not required to. However, the method is limited in the sense that it only includes the municipal regulations in response to the central government's "Participation Law" adopted in 2015. The first concern is that there might be other municipal regulations, such as the "Social Support Act", that encourage organizations to include vulnerable groups. We encourage scholars to integrate additional municipal regulations in order to more closely capture the full regulatory pressures operating on organizations and promoting social action. The second concern has to do with our concentration on the municipal regulations from 2015, the year the "Participation Law" was adopted by central government. We did not control for municipal regulations before that year, when they could already have exercised an appreciable effect in encouraging social action. In this case, the variation in organizations' social actions among communities is explained rather through the legacy of former regulatory pressures. We encourage future studies to control for this idea by including changes in municipal regulations over a longer period.



## **Conclusions**

Our study examined the influence of (a) normative pressures from institutional logics and (b) regulatory pressures from local government on addressing grand societal challenges on the community level. We did so in the context of the employment of vulnerable groups by organizations to address inequality in the labor market in The Netherlands. We theorized that municipal regulations have a direct impact on organizations' social actions and that community logics exercise both a direct and an indirect impact by specifying the content of municipal regulations. We developed a model that predicts organizations' societal actions in response to prevailing community logics and municipal regulations, and the extent to which they reinforce each other. In doing so, we developed a robust understanding of organizations' societal actions in a community with varying normative and regulative pressures. In particular, we found that strong normative pressures from community logics reinforce weak regulations and encourage organizations to engage in societal action. Concentrating on the inclusion of people from vulnerable groups in work, we illustrate the utility of our approach in understanding the role of communities in meeting grand societal challenges.







# **CHAPTER 6: DISCUSSION AND CONCLUSION**

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In the introductory chapter of this dissertation (Chapter 1), we discussed the tension between institutional theorists on structural determinism and agency. Traditionally, institutional theorists have emphasized the compliance of institutional actors, such as organizations, with higher-order institutional rules (DiMaggio & Powell, 1983; Mizruchi & Fein, 1999; Oliver, 1991). Put simply, this concept from traditional institutional theory argues that organizations' compliance with institutions is based on their desire to remain legitimate in the eyes of the public. This position of "institutions as structural deterministic mechanisms" has gained major critical support (to name a few, Friedland & Alford, 1991; Holm, 1995; Seo & Creed, 2002), causing an agentic turn in institutional theory where "organizations became treated as the independent variable rather than the dependent variable in processes of institutional change" (Greenwood et al., 2008, p. 19). This is reflected in studies relating agency to organizations' social position (Battilana, 2006; DiMaggio, 1988; Haveman & Rao, 1997) and organizations' specific characteristics (Fligstein, 1997, 2001; Seo & Creed, 2002). However, these studies have in turn received criticism for portraying an organization as overly heroic (Hardy & Maguire, 2017; Levy & Scully, 2007) and overlooking organizations' institutional embeddedness. Consequently, there is renewed interest in the microfoundational perspective on institutions since it recognizes both the structural embeddedness of organizations and agency (Haack et al., 2019). More specifically, the perspective suggests that institutions provide opportunities for actions and that agency is strategic as well as pre-reflective (Cardinale, 2018). As the microfoundational perspective of institutional theory is in its infancy, and research is fragmented, this dissertation aims to study the explanatory power of microfoundations in relation to institutional phenomena and strengthen its theoretical underpinnings. Accordingly, the main research question of this dissertation is: "How can the microfoundational perspective on institutional theory advance explanations of institutional phenomena?"

To answer the research question, we first reviewed the microfoundational literature in Chapter 1. We found three perspectives within the microfoundational literature that identify discrete premises for integrating microfoundations into explanations of institutional phenomena. We formulated several research avenues, comprising three main themes, to strengthen the theoretical underpinnings of the microfoundations of institutions. These avenues aim to cover gaps in current theorization and address criticisms of and weaknesses in the microfoundational perspective. The four quantitative studies of this dissertation (Chapters 2 to 5) encompass particular research avenues (see Chapter 1, Table 1.1). The research findings of the studies contribute to explanations of institutional phenomena and offer proof of the validity of the microfoundational perspective for institutional theory. The following sections present a discussion of the main research findings and their relation to the research avenues (as formulated in Chapter 1). Then, we synthesize the findings and provide an answer to the research question. Finally, we describe our contributions to the literature, pinpoint the limitations in our study, and offer suggestions for future research on the theme of this dissertation.

### Summary of research findings

#### *Chapter 2 – study 1 “Comparative corporate governance; country-level configurations of corporate governance mechanisms and CSR”*

Chapter 2 explored how configurations of institutions explain organizations' adoption of

inclusive practices—practices that enable the inclusion of people with disabilities—which we define as CSR. We used a cross-national and longitudinal study comprising data from twenty-two European countries between 2007 and 2014. In particular, we used fuzzy-set Qualitative Comparative Analysis (fsQCA) to define the institutional paths that result in high inclusion of people with disabilities among organizations. Our main finding concerns the existence of “equifinality” (Gresov & Drazin, 1997; Rediker & Seth, 1995). That is to say, we found that multiple institutional configurations can yield the same social outcome. Our findings, in contrast to studies that suggest institutions work in isolation (Ioannou & Serafeim, 2012), point to a complex interaction between institutions and social outcomes (Haxhi & Aguilera, 2017). This study contributes to Research Themes II and III formulated in Chapter 1 of this dissertation. Firstly, the findings speak to microfoundational studies on situational mechanisms that explain how causal influence flows from macro to micro (Hedström & Swedberg, 1998). In particular, they indicate that organizations’ enactment of the policies of macro-level institutions relates to validity cues in the environment (see also Felin & Foss, 2019; King et al., 2010). Our findings suggest that macro-institutions and their underlying attributes complement each other in inducing organizations’ social action. We found that certain configurations of attributes generate a beneficial climate for a macro-micro transition because combinations of attributes seem to signal mutual validity. For instance, we found that (a) strong employee participation and (b) strong representation of unions in managerial decision-making in combination with (c) state interventions explain high CSR. This is because the presence of these three attributes signal the validity and institutionalization of norms regarding CSR (Matten & Moon, 2008). We recognize that we are, to some extent, theorizing on the organizational level whilst measuring CSR on the national level—namely, aggregating organizations’ adoption of inclusive practices. However, doing so is consistent with the directions discussed in Theme III. That is to say, microfoundation theorists interpret relationships between macro-level variables by referring to lower-level mechanisms (Felin et al., 2015; Hedström & Ylikoski, 2010) and lower-level actors such as organizations (Hedström & Swedberg, 1998; Hedström & Ylikoski, 2010). Overall, we believe this study shows that macro-disciplines and explanations are still powerful within institutional theory (Jacobides & Winter, 2012; Meyer, 2019) but can be enriched by interpreting them through lower-level processes rooted in microfoundations (Coleman, 1994; Hedström & Swedberg, 1998; Hedström & Ylikoski, 2010).

### ***Chapter 3 – study 2 “Thank you for smoking!”: the impact of state, corporations, and activists on tobacco legislation”***

In Chapter 3, we explored how interactions among (a) activists, (b) corporations, and (c) the state in a contested domain affect regulative institutions’ content or policies on the macro level. We used a cross-national and longitudinal study, observing twenty-one European countries from 1980 to 2012. In particular, this study aims to explain the strictness of tobacco legislation in response to interactions between activists, the tobacco industry, and the state. Our study has yielded three main findings. Firstly, we uncovered a “cross-over” interaction, which suggests that the effect of activism on tobacco legislation depends on the relative “openness”—or opportunities—provided by the state. In relatively open political systems, strong activism results in more strict tobacco legislation. This is not the case in more closed political systems. We suggest that, under closed political systems, disputes between institutional actors are likely to take place outside the political realm. Especially in contested domains, these disputes tend to be highly salient and dispersed, making legislative compromises hard to reach and legislation less radical (Johnson, 2008; King et al., 2005; Olzak & Soule, 2009). Secondly, in contrast to earlier works, we found that tobacco corporations are not faced with the openness of a political system in the same way that activists are (Davis et al., 1994; Jenkins & Eckert, 2000; Meyer

& Staggenborg, 1996). We argue that this could be explained by situation dependence on political opportunities (Giugni, 2004). That is to say, industries subject to societal disapproval (Marquis & Toffel, 2012) are blocked from political access because political actors do not want to be associated with them (King, 2008; McDonnell & Werner, 2016; Pontikes et al., 2010). Finally, despite our predictions of a spill-over effect from activist–industry interactions on political decisions (Hiatt & Park, 2013), we found no evidence of effects on tobacco legislation. We posit that, when issues are fierce disputed in society, the wide discrepancy in views among the public tends to make the legislative processes less unequivocal (see Baron, 2001; Bonardi et al., 2005).

This chapter contributes to the research directions introduced in Chapter 1 in several ways. Following the directions in Theme I, this study portrays institutions as nested systems, comprising lower-level actors—for example, activists and industry—and (regulative) institutions at the macro level. Such representation enabled us to study how contention among lower-level actors scales up and transforms macro-level constructs—namely, national tobacco legislation (Haack et al., 2019). It could be argued, of course, that activists and industries are macro-level constructs (e.g., Gamson, 1991). However, since what constitutes lower or higher level is always defined in relative terms (Harmon et al., 2019), this study understands regulative institutions (the state) as a macro-level construct and activists and industries as lower-level constructs. Our study contributes to Theme III, with particular reference to the transformational mechanism, by showing the conditions under which lower-level actions trickle up and transform institutions—namely, legislation. We show that, in this particular empirical situation, macro-level political structural arrangements can act as a gateway to bottom-up influence. Furthermore, this research shows how contention among lower-level institutional actors could instigate macro-level changes. Consequently, this chapter strengthens the theoretical underpinnings of the microfoundations of institutions and advances cross-level explanations of institutional change.

#### ***Chapter 4 – study 3 “The impact of vertical complexity on inclusive practice adoption in response to institutional pressures”***

Chapter 4 studied how the organizational response to macro-level institutions is influenced by the complexity of the immediate context in which organizations operate. In this study, we analyzed 17,218 organizations embedded in all 40 regions of The Netherlands between 2008 and 2014. We aimed to explain organizations’ adoption of inclusive practices, enabling the inclusion of people with disabilities, by the macro-level institutional pressures that arise from the various legislative measures taken. Adopting the notion of institutional logics operating on multiple levels (Biggart & Guillén, 1999; Marquis & Lounsbury, 2007), we pinpointed the existence of constellations of institutional logics (Lee & Lounsbury, 2015) that consist of largely compatible logics in guiding organizational behavior. In the case of constellations of relatively incompatible logics, one logic can offer guidance in one direction and another is silent or points in another direction (Gehman, Lounsbury, & Greenwood, 2016), creating a situation of vertical institutional complexity (Greenwood et al., 2011). We developed a model of four quadrants that depend on the relative compatibility of logics operating on the societal and regional levels, which we empirically tested. Our findings suggest that constellations of logics influence organizations’ response to institutional pressures. However, surprisingly, we found the highest adoption of inclusive practices in situations where there were more favorable societal logics to include people with disabilities and less favorable regional logics. We suggested this could be explained by a situation-dependent prioritization of institutional logics. That is to say, when societal logics are favorable toward legislation, the logic is likely to be backed by a powerful state (Greenwood et al.,

2010). In this situation, organizations might simply prioritize societal over regional logics because they are dictated by those in authority. Clearly, this study offers several contributions to the directions formulated under the Research Themes in Chapter 1 of this dissertation.

We follow the microfoundational suggestions in portraying institutions as nested systems. In particular, this study depicts institutional logics as operating on multiple levels and introduces region as a meso level, as scholars have called for (Battilana et al., 2009; Lounsbury, 2007). Indeed, our results show that organizations' simultaneous embeddedness in multiple localities has a profound impact on organizational behavior. Following suggestions outlined in Research Theme II, we adopted the institutional logic perspective and found that complexity in an organizations' operating environment impacts organizations' response to institutional pressures (Lounsbury, 2007). In other words, institutional pressures are filtered by institutional logics when they trickle down to organizations. While there are studies that ascribe a filtering role to institutional logics (Greenwood et al., 2010; Lee & Lounsbury, 2015), they focus on logics operating on the community level but do not consider institutional logics operating on multiple levels, as is the case in our study. We argue that this complexity among institutional logics provides agency to organizations (see also Greenwood et al., 2014; Greenwood et al., 2011; Thornton et al., 2012). It is implicit in our results that an organization can make sense of institutional pressures and legitimize its response by following one logic or another, or not acting at all. We believe these results enhance our understanding of situation formation mechanisms concerning the relationship between organizations and organizational actions. Complexity among institutional logics operating on multiple levels could be understood as moderating the relationship and, therefore, is likely to impart some of the agency to organizations.

#### ***Chapter 5 – study 4 “The influence of community-level regulative and normative pressures on organizations’ engagement in social actions***

In Chapter 5, we explored organizations' adoption of inclusive practices in response to shared normative frames within communities, community logics, and local regulations. In this study, we analyzed 244 Dutch municipalities that we define as communities, covering a four-year period. The aim of this study was threefold. Firstly, we concentrated on the direct constitutive mechanism of community logics guiding organizational behavior (Berrone et al., 2016; Marquis et al., 2007). Secondly, we investigated whether community logics act as a filter through which organizations interpret and act upon local regulative institutions—that is, local regulations (Greenwood et al., 2010; Lee & Lounsbury, 2015). Thirdly, we explored whether community logics impact local regulations. In other words, in decentralized states (e.g., The Netherlands), central governments' legislative prescriptions are adjusted to local conditions (Greenwood et al., 2010), such as community logics (Haider-Markel & Meier, 1996; Marquis et al., 2011; Mooney & Lee, 2000). We found no direct effects of local regulations on organizations' adoption of inclusive practices, but we did find a direct effect of community logics on organizations. Furthermore, we found no evidence that community logics impact the content of local regulations. Interestingly, we did find that community logics and local regulations interact and influence organizations. In particular, we noted that strong community logics can substitute for weak regulations and vice versa. We advance two alternative explanations for this finding. Firstly, we suggest that local regulations are embedded in a wider sphere of community normative frameworks (see also Lee & Lounsbury, 2015). In this context, legal endogeneity theory suggests that regulations are often highly ambiguous and subject to active meaning construction (Edelman, 1992, 2002, 2005, 2007) and, in the process, organizations are likely to draw on community logics (Guthrie & McQuarrie, 2005b). Secondly, community logics in themselves could be sufficient to encourage organizations to engage in



social actions, with regulations playing a mere facilitating role. Organizations may feel more confident to act on community logics when local governments show some degree of commitment to community logics. This may be the case, it is argued, because logics backed by government have greater impact on organizations (Greenwood et al., 2010). Moreover, organizations seek the endorsement of referent audiences within communities of which authorities are most important (Scott, 2001). Finally, scholars argue that some form of government involvement is necessary to stimulate organizations to adopt practices (Christmann, 2004; Popp, 2003; Short & Toffel, 2010).

This Chapter contributes to several of the research directions set out in Chapter 1. Following Theme I, we again portrayed institutions as nested systems and introduced the community (municipality) at the meso level. In addition to the results in Chapter 4, we found that geographical localities have a profound impact on organizations' response to the institution. Again, the finding hints at value in addressing cross-level interactions to explain institutional phenomena. Besides, this study contributes to Theme II by exploring both situation formation mechanisms and transformational mechanisms. Comparable to the findings in Chapter 3, we identified a relationship between organizational behavior and community logics. Logics in themselves can be sufficient to drive organizational behavior, irrespective of regulative regimes at the local level. Thus, we have indeed found evidence to substantiate microfoundational accounts that organizations are likely to root behavior in beliefs and values as reflected in institutional logics (Felin et al., 2015). Furthermore, we contribute to greater understanding of the transformational mechanism. We found no evidence that community logics coalesce and affect local regulations. It seems that organizations activate logics in which they are socialized to make sense of a situation (Chater et al., 2018; Funder, 2016; Rauthmann et al., 2015) and act confidently, whereas this seems not to be the case with local authorities. Shared understanding and norms do not appear to trickle up and affect local authorities. Rather, as our supplementary analysis shows, local authorities seem to copy the actions of neighboring authorities.

## Synthesis of research findings

Taken together, the four empirical studies allow us to answer the key research question of this dissertation: "How can the microfoundational perspective on institutional theory advance explanations of institutional phenomena?" Our research approaches and findings point to the value of integrating the microfoundational perspective into institutional theory. Firstly, we established that applying a microfoundational perspective to institutional theory enables a better understanding of macro-level phenomena (see Chapter 2). Addressing underlying antecedents and facilitators of macro-level institutional change facilitates rich theorizing and prevents fundamental problems arising from unobserved lower-level institutional factors (Abell et al., 2010). Secondly, and relatedly, our findings show that applying a microfoundational perspective to institutional theory provides the opportunity to deconstruct institutional phenomena and to understand the underlying constituents to "avoid explanatory black boxes" (Felin et al., 2015, p. 589). Specifically, Chapters 3 to 5 conceptualized and empirically tested the mechanisms that enable macro to micro transitions and vice versa. Importantly, we established that the institutional logic perspective is a strong analytic tool to understand these top-down and bottom-up transitions. Our findings confirm that institutional processes inherently occur across levels, which can only be adequately captured by applying a microfoundational perspective to institutional theory. Thirdly, while most microfoundational research has concentrated on the individual level, our approach and findings show that microfoundations can also advance institutional theory by defining the organization as the micro level. Therefore, organizations can be understood as social actors

(King et al., 2010) and driven by values, beliefs, and norms in a similar way to individuals (Felin et al., 2015; Greenwood et al., 2008). We found this representation extremely useful in understanding how organizations are shaped by institutions and, in turn, how organizations shape institutions. Finally, we learned that the microfoundational perspective is extremely useful in advancing understanding of the agency versus structural determinism dichotomy in institutional theory. A microfoundational perspective allows us to theorize about and empirically test institutional constructs operating on multiple levels, which has served to advance our understanding of organizational agency (Chapter 4 and 5).

We conclude that the microfoundational perspective is extremely useful in advancing institutional theory. However, there are some limitations and critical conditions discussed in the limitations section of each chapter and in the section that follows. We believe that our proposed model, illustrated in Figure 1.2 (Chapter 1) and related studies (Chapter 2-5), demonstrates some useful approaches and offers a range of opportunities to further advance institutional theory.

## **Main contributions of the dissertation**

### *Theoretical contributions*

In this dissertation, we have sought to integrate the microfoundational perspective into institutional theory as called for by several scholars (Haack et al., 2019). At the beginning of Chapter 1, we discussed the origins, critiques, and approaches concerning the incorporation of the microfoundational perspective into institutional theory. We formulated three research themes with guidelines to address the issues raised by the critiques. In four studies, we explored the research directions of the themes in order to develop a more coherent and comprehensive theoretical positioning on microfoundations and institutional theory. While the single studies presented in Chapters 2 to 5 deliver more detailed and specific contributions, our current focus is on discussing the overarching contributions that go beyond single chapters.

First of all, we showed that portraying institutions as nested systems could enhance explanations of institutional phenomena by enabling cross-level cause and effect relationships. Our multi-level studies offered proof of both top-down transitions from macro to micro levels, but also of bottom-up transitions from micro to macro levels. As our studies show, we can define organizations as occupying the micro level (see King et al., 2010) rather than individual actors. Following calls by scholars (Harmon et al., 2019; Holm, 1995; Jepperson & Meyer, 2011), we empirically tested the explanatory power of several intermediate “meso” levels on institutional phenomena. Following propositions from earlier work, we found that meso levels have a substantial impact on the transition from macro to micro and vice versa (Felin & Foss, 2019). We discovered that the institutional logic perspective is a strong analytic tool to unravel the process of cross-level transitions (both up and down) or, in other words, to act (partly) as a mechanism for institutional change (Greenwood et al., 2010; Lee & Lounsbury, 2015). Furthermore, there are multiple paths through which cross-level transitions flow, suggesting the existence of configurations of institutional parameters across analytical levels that explain institutional phenomena. Indeed, we show that explanations of organizational behavior start by recognizing complexity arising from institutional demands from multiple levels in an organization’s operating environment. An organization operates not only in an organizational field (Greenwood et al., 2002; Strang & Meyer, 1993) but also in geographical localities (Marquis & Battilana, 2009), and in

society (Biggart & Guillén, 1999), all posing unique institutional demands. Following earlier suggestions (Haack et al., 2019), we believe our dissertation shows that the integration of microfoundations into institutional theory enriches explanations concerning agency. In the ongoing debate on structural determinism versus agency in institutional theory (Friedland & Alford, 1991; Holm, 1995; Seo & Creed, 2002) our dissertation clearly adopts the latter position. The dissertation favors the use of the adjusted Coleman model (Coleman, 1994), illustrated in Figure 1.2, and its demonstrated approaches, to further theorize on and assess the robustness of agency accounts in institutional theory.

We never intended to develop a holistic theoretical model of the microfoundations of institutions because this is not possible within the scope this dissertation. Nevertheless, we hope that our dissertation propels scholarship in this direction by adding greater coherence to existing research and bringing the microfoundational conversation on institutional theory a step further forward.

### ***Methodological contributions***

This dissertation has sought to make several methodological contributions. Firstly, the current development regarding the integration of a microfoundational perspective into institutional theory can be considered the result of theory–method co-evolution (Greenwald, 2012). In this view, the application and development of methods and approaches are crucial for the further advancement of microfoundations in institutional theory. At the same time, a sound theory is essential for the development of new methodological approaches. In other words, the development of methodology is obstructed if theory can only weakly define constructs, concepts, and their relationships. Equally, a narrow set of methodological approaches and measurements can constrain the development of theory. Consequently, measurements can become too distant from concepts and constructs in institutional theory (Haack et al., 2019; Schneiberg & Clemens, 2006; Suddaby, 2010). Secondly, although institutional theorists develop multi-level theories, qualitative methods are mostly used to investigate the situation, action formation, and transformation mechanisms (for exceptions see, for example, Greenwood et al., 2010; Lee & Lounsbury, 2015; Lounsbury, 2007). Given that the microfoundational perspective on institutional theory is inherently concerned with the multi-level theorization of institutional processes, it is recommended that quantitative multi-level approaches and methods are applied (see Haack et al., 2019). While multi-level approaches have become more influential in management research in general (Hitt, Beamish, Jackson, & Mathieu, 2007; Paruchuri, Perry-Smith, Chattopadhyay, & Shaw, 2018), in institutional theory, multi-level approaches are not yet as influential. Thirdly, a microfoundational perspective on institutional theory implies the addition of a temporal element because we are theorizing about (cross-level) causes and effects (Foss & Linder, 2019). However, time is rarely included in microfoundational accounts of institutional theory (Felin & Foss, 2019).

Therefore, in this dissertation, we contribute by developing and applying various multi-level approaches including hierarchical random effects and hierarchical random-effects models (Chapter 3 and 4). In addition, we add some conceptual clarity by applying quantitative methods, such as confirmatory factor analysis, especially in Chapters 4 and 5. Moreover, we use longitudinal quantitative methods to account for the temporal element within microfoundations (Chapters 2,3, and 5). Finally, we introduce less common methods into institutional theory—Qualitative Comparative Analysis (QCA) (Fiss, 2007) and Machine Learning. That is because QCA is a recommended method to study cross-level mechanisms (Klein & Kozlowski, 2000) and possesses the explanatory power that is ascribed to the application of machine learning approaches in social sciences and institutional theory (Edelmann & Mohr, 2018).

### ***Practical contributions***

This dissertation holds practical implications for various institutional actors, in particular, (a) organizations and (b) policymakers.

Firstly, organizations may benefit by recognizing that the operating environment offers possibilities for agency. Our findings show that organizations are not influenced by institutional pressures in a straightforward and deterministic matter. Rather, we show that a shared understanding of appropriate organizational behavior among collectives of actors on different aggregation levels (i.e., society, region, community, social movements) enable organizations to resist, adjust, or comply with institutional pressures. Nevertheless, a shared understanding within the proximate operating environment of organizations (municipalities) can act as a more deterministic institutional pressure in itself and even as a substitute for weak institutional regimes. However, organizations seem, under certain political contingencies, perfectly capable of resisting compliance with organized forms of shared understanding of the appropriate organization. We strongly recommend that organizations assess (a) the source of institutional pressures, and (b) the relative deterministic weight of the pressure, in order to determine an adequate response. For instance, under complexity, a response to institutional pressure seems always legitimate to some collective or referent audience. Hence, organizations are simply required to effectively “frame” the response (for a literature review on this matter, see Cornelissen & Werner, 2014). Secondly, policymakers may have lessons to learn from the findings of this dissertation. In particular, institutional pressures from regulations seem to be most effective when aligned with prevailing shared understandings. For instance, it is not necessarily the case that a strong regulatory regime enforces compliance on organizations. Rather, shared understanding among collectives of actors on different aggregation levels are “filtered” and can weaken regulative pressures. Regulations could be more effective when policymakers consider the complexity within the operating environment of organizations. Organizations face a multitude of demands, sometimes conflicting, from the operating environment. If not carefully honed to these conditions, regulations could exceed their initial intention. A suggestion would be to consider a more local regulative approach in contrast to a ‘one size fits all’ perspective.

Finally, we contribute to a broader debate on grand societal challenges. We show how grand societal challenges are reflected and enacted on various analytic levels, including the societal, regional, and community levels. Consequently, by addressing the broader environment in which organizations are embedded, this dissertation develops an understanding of the conditions under which organizations are compelled to address grand challenges, such as the inequality of people with disabilities in the labor market.

### ***Limitations and future research***

The limitations and avenues for future research of the various studies have already been discussed and presented in Chapters 2 to 5. In this section, we restrict ourselves to discussing the limitations and future research avenues of the dissertation taken as a discrete whole and going beyond the confines of single studies.

To start with, consider the methodologies used in our research. In three out of four studies, we applied quantitative methods for two main reasons. Firstly, qualitative studies are mostly used in a multi-level theorization of institutional processes whereas scholars have been calling for the use of

quantitative studies (Haack et al., 2019). Secondly, and relatedly, it is argued that the introduction of novel approaches is used to advance theoretical development and create conceptual clarity (Haack et al., 2019). However, it can be claimed that our applied methods are “more attuned to the covariance of factors than to the processes that underlie the production of institutional effects” (Schneiberg & Clemens, 2006, p. 200). Or in other words, our methods might be less capable of studying the process dynamics that instigate institutional change (see Eckardt et al., 2019). While we believe that our methods enable exploration of how the macro affects the micro and vice versa, institutional theory could be further advanced by studies applying mixed-methods approaches. In mixed-methods research, quantitative and qualitative approaches are amalgamated. Combining the two methods offers a better understanding of complex multi-level institutional phenomena than using either approach on its own (Haack et al., 2019). Already, some recent studies have shown the value of mixed-methods approaches in advancing multi-level theorizing within the field of institutional theory, such as the work of Soppe and Pershina (2019) and Tchalian (2019). Therefore, we encourage scholars to adopt mixed-methods approaches to advance our understanding of institutional phenomena. A second point is that our presentation of institutions affecting organizations can be deemed relatively simplistic or assumptive. In particular, we assume that organizations adapt and respond similarly to institutional logics, but there is relative silence on how this process works. We suggest that experimental research designs could help to mitigate this weakness because they allows researchers to explore how institutional logics shape individual actions (Glaser, Fast, Harmon, & Green, 2016) such as managers’ decisions and behavior (Meyer & Rowan, 1977). Experimental designs tend to concentrate on single-level relationships and, therefore, are more capable of exploring action formation mechanisms from the microfoundational perspective. We encourage scholars to adopt experimental designs that pay attention to multiple levels so that a more fine-grained understanding of how institutional processes occur is developed.

A somewhat related limitation of our dissertation is defining organizations as the micro level. Following the work of King et al. (2010), we portray and treat organizations as social actors in our analysis, among other reasons, to address the critique of giving analytical primacy to individuals (Barney & Felin, 2013). While our approach is certainly not uncommon in institutional theory, we suggest that future studies seek to extend our findings further by including the individual in the microfoundations of institutions. In the end, there are individuals, such as managers, who make decisions about appropriate organizational actions within institutions. The imprinting perspective in institutional theory (for a literature review, see Marquis & Tilcsik, 2013) suggests that an individuals’ past experience defines how an individual perceives and responds to institutional pressures (Ocasio, 1997; Pache & Santos, 2010) and turns them into ‘carriers’ of institutional logics (Scott, 2001). Consequently, organizations are likely to internally represent multiple and conflicting logics that are associated with organizations’ strategic directions (Fiss & Zajac, 2004; Pache & Santos, 2010; Tilcsik, 2010) and practice adoption (D’Aunno, Sutton, & Price, 1991). Using the same principles, scholars have also associated individual logic representation among founding teams (Almandoz, 2014), funding partners (Pahnke, Katila, & Eisenhardt, 2015), corporate boards (Almandoz & Tilcsik, 2016), and managers (Dahlmann & Grosvold, 2017) with organizational behavior. Thus, we encourage scholars to use these great works as a starting point to integrate the individual into the microfoundations of institutions, as this would seem to be a valuable way to develop a richer understanding of institutional phenomena—in particular, organizational behavior. In similar vein, we somewhat arbitrarily chose the regional and community level as the intermediate level between the macro and micro. We did so because it is argued that organizational embeddedness in geographical localities has a strong impact on organizational behavior toward institutions (Marquis & Battilana, 2009) and, therefore, plays a

role in top-down and bottom-up transitions. However, organizations are embedded in higher-level organizational fields (DiMaggio & Powell, 1983), which is also ‘vitaly connected to the agenda of understanding institutional processes and organizations’ (Hardy & Maguire, 2017; Scott, 2014, p. 219). Therefore, we encourage scholars to advance our understanding of macro-micro transitions and vice versa, by including other analytic meso levels such as organizational fields. Following on, it is then of particular interest to address vertical institutional complexity and power structures as suggested by this dissertation.

A final weakness of our study is that we did not specifically address the action formation mechanism, which is put forward in the microfoundational perspective on institutional theory. Action formation refers to micro–micro relationships—in particular, the relation between actors’ characteristics and actions (Felin et al., 2015). The portrayal of organizations as rational actors driven by economic benefit has received considerable criticism, which has stimulated the development of more nuanced models of organizational behavior (see Chandler, 2014; Kraatz & Block, 2008). All these models suggest, to a greater or larger extent, that an organization’s embeddedness in its environment plays a role in organizational behavior (for a literature review, see Micelotta et al., 2017) and, therefore, deserves not to be neglected in action formation theorizing. Previously, we listed studies that relate institutional logics between individuals in organizations to organizational behavior (Almandoz, 2014; Almandoz & Tilcsik, 2016). To advance understanding of action formation mechanisms, we propose the need to: (a) understand organizations as comprising individual actors, (b) consider them as representing multiple, conflicting logics, (c) study when they are more susceptible to the environment, and (d) explore the process of how environmental stimuli and complexity coalesce and instigate change. We believe that an ethnographic research method would be ideal for this situation (Wilbur, 2019). While such research would certainly contribute to our grasp of action formation mechanisms, we also believe it would advance our understanding of the structural versus agency debate. Our studies predominantly show the cross-level conditions under which organizations are likely to experience more or less agency, proxied by observed heterogeneity in organizational responses to institutions. Ethnographic studies following our research suggestions could show the process through which organizational agency develops (for an excellent example, see McPherson & Sauder, 2013).

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## Epilogue

We started this dissertation with a prologue in which we discussed the rationales and the relevance of this work with reference to the COVID-19 pandemic. We described how the Dutch government adopted a series of legislative measures to attenuate the economic effects of the pandemic and slow down contamination rates. We discussed that, irrespective of these measures, individual actors and organizations did not always comply with the governmental measures. Furthermore, we pointed out that some organizations responded to the restrictions through the adoption of innovative practices, while other did not. These observations brings us back to an old institutional debate on structural determinism versus agency. Given these circumstances, old institutional theory would predict organizational compliance and isomorphism—that is to say, organizations would respond in a comparable way. However, it requires little imagination to conclude that this theoretical perspective falls short in explaining our observations. Organizations seem to exercise greater agency in response to legislative measures and try even to shape those measures. Indeed, there seems to be numerous organizations and trade agencies that have tried to lobby the Dutch government to attenuate legislative measures. There have been some institutional attempts to explain these observations—for example, institutional work, institutional entrepreneurs, and hybrids. However, these studies offer fragmented explanations and lack an integral understanding of the agency versus structural determinism debate. This dissertation has applied a microfoundational perspective to institutional theory, enabling us to theorize about the top-down influence from institutions (central government) to organizations and the bottom-up influence from organizations to institutions. We tested our theory in four studies in different contexts, ranging from tobacco to the inclusion of people with disabilities. Applying our findings to the context of the COVID-19 pandemic enables us to provide plausible explanations for the observations discussed earlier and to show how the dissertation contributes to the agency versus structural determinism debate.

Firstly, our findings suggest that organizations' geographical location can exercise a profound impact on their response to legislative measures. Shared norms regarding appropriate responses to COVID measures prevail in geographical localities, such as regions and communities. Organizations are more likely to comply with these shared norms, using them to define adequate responses to legislative measures. For instance, it is likely that, in Dutch municipalities with prevailing norms of collectivism, fraternity, and paternalism, organizations are more likely to comply with COVID measures. Secondly, and relatedly, we show that organizations are exposed to several shared norms among collectives and that these norms can be in conflict, creating a situation of complexity. Dutch organizations facing this complexity are likely to follow the norms that are backed by those in power. For instance, under conditions of complexity, a Dutch organization tends to comply with the legislative measure if the shared norm defines such action as appropriate and is backed by a powerful constituency such as local authorities. Thus, shared norms in the geographical location where an organization is embedded would seem to explain why some Dutch organizations experience agency to a greater extent than others, and vice versa. Thirdly, we found that, when regulations are relatively weak and shared norms are less strong concerning compliance with legislative measures, organizations have greater scope for agency. Thus, Dutch organizations may simply not comply with the legislation because the measures are not strong enough. Fourthly, we found that organizations are likely to have a hard time in influencing legislation from the bottom up when issues are highly contested, such as tobacco, because government blocks access to the legislative processes. We predicted this would be similar in the COVID situation because it is a serious health concern and, therefore, would limit an organization's agency.

We hope that this brief application of our findings to the COVID pandemic underscores the relevance of this dissertation and provides an useful overview of our developed theory. We hope to have advanced understanding of the mechanisms of top-down and bottom-up influences and, thus, bring institutional theory to the forefront of academic research.

## Summary

Traditionally, institutional theory has portrayed institutions as having a deterministic influence on lower-level institutional actors, such as organizations. It is argued that organizations become relatively alike when they are faced with the same institutional demands—a process termed “isomorphism”. This traditional position has been subject to major criticism because it did not explain observed organizational agency. These critiques resulted in an “agentic turn” in institutional theory. Scholars did sterling work in bringing agency into institutional theory by introducing the perspectives of: “institutional work”, “institutional entrepreneurship”, “hybrids”, and “decoupling”. However, in turn, these studies received criticism for portraying organization as overly “heroic” and overlooking the structural embeddedness of organizations. Therefore, more recently, the microfoundational perspective has been introduced to institutional theory. The line of argument is that this perspective offers a more nuanced view of agency versus structural determinism in institutional theory. In short, the microfoundation perspective explores the mechanisms through which higher-level institutions affect lower-level institutional actors, such as organizations, and vice versa. Although the microfoundational perspective shows promise, research is still in its infancy and highly fragmented. We, therefore, sought to contribute by firmly embedding the microfoundational perspective into institutional theory and advancing a definitive explanation of institutional phenomena. Based on a review of the literature (presented in Chapter 1), we developed a number of research avenues that seemed promising in pursuing our objective. We followed these research directions in four studies presented in Chapters 2 to 5. Our overall research question driving this dissertation was: “How can the microfoundational perspective in institutional theory advance an explanation of institutional phenomena?”

Our first study explored how configurations of institutions explain organizations’ adoption of inclusive practices—practices that enable the inclusion of people with disabilities into the workforce. We found that institutions do not work in isolation. Rather, complex interactions among institutions seem to promote changes in organizations. In particular, we found that certain configurations of institutions (and their underlying attributes) form a beneficial climate for macro–micro transitions. We suggest that organizations seek validity cues from the environment to allow them to respond confidently to macro-level demands. Particular configurations are then likely to signal mutual validity of an institutional demand and could, in turn, facilitate top-down transition. This study suggest that a microfoundational perspective on institutional theory advances understanding of macro-level institutional phenomena. In particular, explaining and interpreting these phenomena with reference to lower-level mechanisms seem highly valuable. This study does not treat institutions as structurally deterministic; rather, its theoretical stance is that organizations scan the environment for cues to guide their response to demands.

The second study investigates how and under which political conditions interactions between activists and the tobacco industry trickle up and impact regulative institutions—namely, the content of tobacco legislation. We found that the bottom-up effect of activists on legislation depends on the opportunities for political involvement provided by the state. However, for the tobacco industry, this is not the case. We suggest that the tobacco industry is likely to be blocked from participation in the political process because the tobacco dispute is highly contested, and political actors do not want to get their hands dirty. This study’s findings offer important contributions that promote the integration of the microfoundational perspective into institutional theory. In particular, our study contributes to an understanding of the transformational mechanism—the process through which lower-level actions

coalesce and change institutions. The study shows that contention among lower-level institutional actors, under certain political conditions, initiates macro-level institutional changes. Implicitly, our findings suggest that organizations' agency may well be weaker when organizations are faced with contestation.

Our third study investigates the process of how institutional pressures trickle down and impact organizations. Specifically, we studied organizations' adoption of the inclusive practices of institutions. We introduced the institutional logic perspective. Simply stated, institutional logics can be understood as shared normative expectations, values, and beliefs among actors that guide organizational responses to institutions. Institutional logics operate on multiple levels, such as the societal and regional levels. Therefore, organizations face constellations of logics that can be in conflict, creating a situation of institutional complexity. We found that institutional logics "filter" institutional demands when they flow down to organizations. In this process, logics operating on the societal level seem to be more influential than logics operating on the regional level. We suggest that this could be explained by a situational prioritization of institutional logics. The findings of this study add to our understanding of the situational-formation mechanism—the process through which macro-level institutions instigate organizational behavior. Specifically, we show that institutional demands cross several levels before entering organizations and, as part of this process, are filtered by institutional logics. Based on these findings, we suggest that conflicting institutional logics provide organizations with greater agency.

In our final study, we concentrated on the direct effect of logics at the community level on organizational behavior—specifically, the adoption of inclusive practices. Furthermore, we assessed whether community logics impact the transformation of central government regulations into local regulations. Finally, we studied whether there was an interactive effect of logics and local regulations on organizations. We found that community logics have a direct impact on organizational behavior but not on local regulations. Interestingly, we found an interactive effect of community logics and local regulations on organizational behavior. In particular, we found that strong community logics can substitute for weak local regulations and vice versa. The findings of this study contribute to our understanding of the situational-formation mechanism. That is to say, we found that the effects of (local) institutional pressures need to be considered in the light of prevailing logics in order to understand organizational behavior. In other words, the effects of local institutions should be placed within a wider sphere of normative frames. Furthermore, we add to the understanding of the transformational mechanism by showing that normative expectations, values, and beliefs tend not to trickle up and affect local institutions. Leaving aside bottom-up effects, the diffusion of regulations seem to explain heterogeneity among local regulative institutions.

Taken together, the studies' findings show the value of integrating the microfoundational perspective into institutional theory. The microfoundational perspective enables a richer theorization of macro-level phenomena by incorporating lower-level antecedents and facilitators that instigate macro-level institutional change. We show that institutional phenomena can be deconstructed into underlying constituents and that institutional processes inherently cross analytical levels. The institutional logic perspective is proven to be powerful in studying the mechanisms through which institutions impact organizations and vice versa. Finally, we advance the agency versus structural determinism debate in institutional theory by exposing the cross-level conditions that constrain or enable organizational agency.

## Samenvatting

Oudere institutionele theorie kende aan instituties een deterministische invloed op institutionele actoren, zoals organisatie, toe. In situaties of soortgelijke institutionele context, worden organisaties geacht op elkaar te gaan lijken. Dit proces heet 'isomorphism'. Deze theoretische opvatting heeft veel kritiek opgeleverd doordat zij organisatie agency- het potentieel tot zelfstandig handelen, niet kan verklaren. Deze kritieken hebben erin geresulteerd dat institutionele theorie zich meer is gaan richten op agency. Wetenschappers hebben goed werk verricht in het integreren van agency in institutionele theorie door o.a. het introduceren van perspectieven als: 'institutional work', 'institutional entrepreneurship', 'hybrids', en 'decoupling'. Desalniettemin, worden deze perspectieven ook bekritiseerd doordat zij een te grote heroïsche rol toekennen aan organisaties en de inbedding van organisaties een omgeving onvoldoende belicht. Om deze redenen, is recent, het 'microfoundational' perspectief geïntroduceerd binnen institutionele theorie. Men betoogt dat dit perspectief een meer genuanceerd beeld op het agency versus deterministisch structuralisme kan brengen binnen institutionele theorie. Kort gezegd, onderzoekt dit perspectief de mechanisme waardoor instituties, gelegen op een hoog analytisch niveau, institutionele actoren op een lager niveau beïnvloeden en vice versa. Ondanks de veelbelovendheid van het perspectief staat gerelateerd onderzoek nog in de kinderschoen en is sterk gefragmenteerd. Ons doel is om hieraan een bijdragen te leveren door bij te dragen aan een integrale inbedding van het microfoundational perspectief in institutionele theorie en ons inzicht in institutionele fenomenen te vergroten. Op basis van een literatuuronderzoek (gepresenteerd in Chapter 1), hebben we hiertoe onderzoekrichting ontwikkeld. In deze dissertatie dragen we bij aan deze onderzoekrichting in vier studies (Chapter 2-5). De overkoepelende onderzoeksvraag van deze dissertatie is: "Hoe kan het microfoundational perspectief binnen institutionele theorie ons begrip van institutionele fenomenen vergroten?"

Ons eerst studie onderzoekt hoe verschillende configuratie van instituties een rol spelen op de adoptie van inclusieve praktijken binnen organisaties. Dit zijn praktijken die het mogelijk maken om mensen met een arbeidsbeperking te integreren in het personeelsbestand. Instituties blijken niet geïsoleerd te werken. Er heersen complex interacties tussen instituties die gezamenlijk veranderingen binnen organisaties stimuleren. Specifiek hebben we gevonden dat bepaalde configuraties van instituties een gunstig klimaat vormen voor transitie van macro naar micro. Wij suggereren dat organisaties zoeken naar signalen in de omgeving die de validiteit van hun acties ten gevolgen van institutionele druk onderstrepen. Zekere configuraties van instituties duiden op wederzijdse overeenkomst van validiteit en zou als zodanig transitie van macro naar micro kunnen vergemakkelijken. Deze studie toont dat een microfoundational perspectief binnen institutionele theorie, het begrip van institutionele verschijnselen op macroniveau kan bevorderen. Met name het verklaren en interpreteren van deze verschijnselen door het expliciet integreren van mechanisme op een lager niveau, lijkt zeer waardevol. Deze studie beschouwt instituties niet louter als structureel deterministisch maar suggereert dat organisatiegedrag resulteert uit validiteitsaanwijzingen uit de omgeving.

De tweede studie onderzoek hoe en onder welke politiek structurele voorwaarden, interacties tussen activisten en de tabaksindustrie van onderaf invloed uitoefenen op wetgeving- specifiek de inhoud van tabakswetgeving. Onze resultaten tonen dat invloed van onderaf door activisten op wetgeving kan plaatsvinden als een politiek systeem hiertoe ruimte biedt. Voor de tabaksindustrie is dit echter niet het geval. Wij suggereren dat toegang tot politieke processen aan de tabaksindustrie wordt ontzegd doordat tabak een beladen onderwerp is waarmee politieke actoren zich niet willen

associëren. Deze studie draagt bij aan een begrip van transformationele mechanisme. Dit zijn de processen waardoor acties van actoren op een lager analytisch level samenvloeien en instituties veranderen. De resultaten tonen dat strijd tussen institutionele actoren, onder zeker politieke voorwaarden, institutionele veranderingen kan bewerkstelligen. Impliciet, suggereert deze studie dat organisatie agency kan worden beperkt als zij opereert een beladen domein.

Onze derde studie onderzoekt het proces waardoor institutionele druk naar beneden druppelt en analytisch lager gelegen organisaties beïnvloed. Specifiek, onderzoeken we adoptie van inclusieve praktijken door organisaties ten gevolge van institutionele druk hiertoe. In dit onderzoek, introduceren wij het institutioneel logic perspectief. Simpel gezegd, zijn institutionele logics, gedeelde normatieve verwachtingen, waarden en opvattingen onder actoren. Zij spelen een belangrijke rol in het sturen van organisatie gedrag ten gevolge van institutionele druk. Institutionele logics gedijen op meerder analytische niveaus zoals op het maatschappelijk en regionaal niveau. Organisaties worden daarom geconfronteerd met constellaties van logics die soms conflicterend zijn aan elkaar. Hierdoor ontstaat een situatie van institutionele complexiteit. Onze resultaten tonen dat logics, institutionele druk filtert tijdens de transitie van macro naar micro. In dit proces, bleken logics op maatschappelijk niveau belangrijker dan logics opererend op een regionaal niveau. We suggereren dat dit kan worden verklaard door een situationeel- afhankelijke prioritering van logics. Onze resultaten dragen bij aan het begrip van situationeel-vomerende mechanisme. Dit zijn de processen waardoor instituties veranderingen teweeg brengen bij organisaties op een lager analytisch niveau. Specifiek, toont deze studie aan dat institutionele druk verschillende analytische niveaus passeert en in dit proces wordt gefilterd door institutionele logics. Op basis van deze bevindingen, suggereren we dat conflicterende institutionele logics, een bron kan zijn voor organisatie agency.

In onze laatste studie, concentreren we ons op de direct effecten van logics, opererend op het community niveau (gemeenten), op organisatiegedrag. Opnieuw onderzoeken we de adoptie van inclusieve praktijken. Verder onderzoeken we of deze logics ook invloed hebben op de decentrale vertaling van wetgeving door gemeenten. Ten slotte, onderzoeken we of logics en lokale wetgeving, gezamenlijk invloed uitoefenen op organisaties. Onze resultaten tonen dat logics een directe invloed uitoefenen op organisaties maar geen invloed hebben op lokale wetgeving. Verder vonden we een interactief effect van logic en wetgeving op organisatiegedrag. Specifiek, vonden we dat sterke logic een substituuut kunnen vormen voor zwakke wetgeving en vice versa. De bevindingen dragen bij aan ons begrip van situationeel-vomerend mechanisme. We tonen aan dat het zinvol is om logics te betrekken in het verklaren van de effecten van lokale instituties op organisaties. In andere woorden, geloven wij dat de invloed van lokale instituties moet worden gezien in bredere normatieve opvattingen. Verder dragen wij bij aan het begrip van transformationele mechanisme. We tonen aan dat normatieve verwachtingen, waarden en opvattingen niet op een eenvoudige manier lokale instituties beïnvloeden. Diffusie van regulaties lijkt heterogeniteit van lokale instituties beter te verklaren dan logics.

Tezamen dragen deze onderzoek bij aan institutionele theorie en pleiten voor de verder integratie van het microfoundationeel perspectief. Het microfoundational perspectief maakt het mogelijk om rijkere theorieën te ontwikkelen rondom macro-level fenomenen. Met name door het integreren van antecedenten en facilitators op een lager analytisch niveau die macro-veranderingen teweeg kunnen brengen. We tonen aan dat institutionele fenomenen kunnen worden gedeconstrueerd in onderliggende componenten en dat institutionele processen meerdere analytisch niveaus overschrijden. Het institutionele logic perspectief is krachtig in het bestuderen en begrijpen van de

mechanisme waardoor instituties, organisaties beïnvloeden en vice versa. Ten slotte dragen we bij aan het agency versus structureel determinisme debat in institutionele theorie, doordat we niveau-overstijgende condities blootleggen die organisatie agency beperken of juist mogelijk maken.



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## ABOUT THE AUTHOR

Johannes Cornelis (Koen) Kuijpers was born on January 15th, 1990 in Wageningen, The Netherlands. Koen obtained a Bachelor of Engineering (Cum Laude) before obtaining his Master of Science degree in Business Administration at the University of Twente.

In 2016, Koen began work as a part-time researcher/consultant at Extend MVO in Almelo, The Netherlands. He advised organizations on matters regarding corporate social responsibility (CSR) and contributed to the further development of Extend MVO by valorizing research findings. Meanwhile, Koen joined the research group of Entrepreneurship, Strategy, and Innovation Management (NIKOS) at the University of Twente as an external PhD researcher, under the supervision of Prof. Dr Aard Groen (Rijksuniversiteit Groningen) and Dr Michel Ehrenhard (University of Twente).

His doctoral programme was fully funded by Extend MVO and focused on institutional change. In 2019, Koen obtained a position as researcher/teacher at the University of Twente and continued his PhD research in collaboration with Extend MVO and the research institute TNO (The Netherlands Organisation for Applied Scientific Research). He is actively involved in teaching at bachelor, master, and executive levels.

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Koen's current research focuses on the interactions between institutions and organizations. He has presented his work at premier international conferences, such as the Academy of Management Conference and EGOS, among others. Furthermore, his work was, or currently is, under revision by journals, such as Academy of Management Journal, Organizational Science Journal, Administrative Science Quarterly, and Journal of Product Innovation Management.