Organizational knowledgeable responses to institutional pressures – A review, synthesis and extension

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Abstract

Purpose: The purpose of this paper is to critically review and explore how organizations knowledgeably respond to unfavorable institutional environments that exert institutional pressures and thereby limit their decision-making and eventually their actual behavior.

Design/methodology/approach: Based on a thorough structuration and analysis of the literature in management and related fields, we present a comprehensive synthesis of organizational knowledgeable responses to institutional pressures.

Findings: Based on the review, we categorize organizational knowledgeable responses into three major types – *passively responding* to avoid non-conformity, *reactively mitigating* institutional pressures and *proactively developing* institutional environments towards less interfering setups.

Research implications/limitations: We discuss the enabling conditions for the categorized organizational knowledgeable responses as well as limitations to their application. We identify research gaps and formulate research questions to offer promising avenues for future work. We expect this detailed synthesis to lay the framework for investigating how the knowledge-based view of the organization influences its knowledgeable response to institutional pressure.

Practical implications: We elaborate on distinct passive, reactive and proactive strategies, which firms can apply in order to cope with institutional pressures. Our contribution will be of relevance to practitioners managing organizations in the face of unfavorable institutional setups, as well as to policy makers engaged in the development of institutions and interacting with affected organizations.

Originality: Our study provides a valuable overview on developments in institutional theory, particularly on contributions to the ‘nascent literature’ that examines heterogeneous organizational knowledgeable responses to institutional pressures.

Keywords: Institutional theory, Institutional pressures, Organization knowledgeable responses, Paradox of embedded agency, Literature review.

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Introduction

Organizations of all kind, size and origin are substantially impacted by a broad set of institutions. Institutional environments are conceived as the entirety of institutions that surround an organization and affect it in an interrelated manner (Batjargal *et al.*, 2013). An organization's institutional environment may comprise a multidimensional and interdependent portfolio of overlapping "organizational fields" of different kinds (e.g. political, social, etc.), levels (e.g. local, national, international, etc.) and domains (e.g. industry, product, etc.) (Holmes *et al.*, 2013).

Organizations face institutional environments that exert pressure on organizations, widely known as institutional pressures. We define *institutional pressures* as unfavorable influences on organizations that are exerted by institutions and limit the choice of organizations concerning their structures and conduct. Examples for institutional pressures faced by organizations include environmental protection regulations and financial reforms issued by federal or state authorities (coercive/regulatory institutional pressure), and modern digital payment technology standards being demanded by customers and other business partners (normative institutional pressure).

Firms, on the one hand, rely on the presence and functioning of institutions for concerns as diverse and important as information gathering, market regulation, and contract enforcement (Khanna *et al.*, 2010). On the other hand, social, economic, and political institutions exert substantial constraints on the behavior of organizations and entrepreneurial activities (Clemens & Douglas, 2005; Peng *et al.*, 2009; Ioannou &

Serafeim, 2012; Kim et al., 2013; Sun et al., 2014; Dieleman & Widjaja, 2018; Opper et al., 2018). Therefore, it is clear that institutional environments lend support and legitimacy to organizations but also issue rules and requirements that organizations have to conform to (Scott, 1987; Rothenberg, 2007; Tan et al., 2007; Pache & Santos, 2010; Gao, 2011; Pache & Santos, 2013).

The overarching objective of this study is to understand the opportunities organizations have at hand to beneficially position themselves in the face of institutional pressures and strategically cope with them. We attempt to achieve this objective by systematically analyzing institutional theory and the development of its major concepts in the recent academic literature to answer the following two research questions (RQ):

RQ1 - How do organizations deal with different institutional pressures?

RQ2 - How have the knowledgeable responses of organizations to these institutional pressures changed over time?

Extending the knowledge management definition by Grant (2016, p. 1), we define organizational knowledgeable responses as the responses of organizations built on identification, creation, storage, diffusion, replication and application of different knowledge assets (Shubham et al., 2018). As all organizations are engaged in managing knowledge within them (Grant, 2016), through this research we capture the knowledgeable responses such as distinct passive, reactive and proactive ones that organizations have made in order to cope with institutional pressures. Following it, we present the recent developments of such strategies including enabling conditions, limitations to their application and critique offered by academics. We expect this detailed synthesis to lay the framework for future researchers interested in investigating how the knowledge-based view of the organization influences its knowledgeable response to institutional pressure.

Research Background

Although the first significant contributions to institutional theory date back as far as to Selznick (1948), there is still massive interest and potential for further research in institutional theory in a variety of fields (e.g. Clemens & Douglas, 2005; Henisz & Swaminathan, 2008; Suddaby *et al.*, 2010; Kauppi, 2013; Eesley, 2016; Granqvist & Gustafsson, 2016; Battard *et al.*, 2017; Li, 2017; Micelotta *et al.*, 2017). Some recent contributions to institutional theory show an impressive 'degree of diversity, in levels of analyses, empirical contexts, and methodological approaches' (Suddaby *et al.*, 2010: p. 1235). We focus on management literature but accounts for relevant contributions from the fields of economics, entrepreneurship, sociology, and politics as scholars from these fields have also made major contributions to the institutional literature relevant for our research focus.

Our paper is in direct alignment with the future research directions listed by López-Duarte et al. (2018), where they emphasized the importance of conceptual work and called researchers to pursue theoretical conceptualization by reflecting on the published literature. We cater to this "longstanding pending assignment" (Pleggenkuhle-Miles et al., 2007; López-Duarte et al., 2018) of increasing the volume of conceptual works by looking back to propose future directions that are relevant from a global as well as regional perspective.

Figure 1 represents the research focus and key concepts of this paper. We discuss organizational knowledgeable responses to institutional pressures in the order of increased level of agency. We thereby account for the time of introduction of these responses and their representation during the development of institutional theory from 1977. Following the introduction of key concepts like organizational multiplicity and embedded agency, researched organizational knowledgeable responses to institutional pressures increased in their level of agency over time. While passive responses may still be appropriate today, proactive responses did not enjoy a considerable representation on new institutionalists' agenda in the 1970s and 1980s. Since Oliver's (1991) seminal article on organizational responses to institutional pressures, literature has further developed several institutional constructs and organizational knowledgeable responses.

By answering the stated research questions, we hope to provide a valuable overview on recent developments in institutional theory, particularly on recent contributions to the 'nascent literature' (Doshi *et al.*, 2013: p. 1211) that examines heterogeneous responses to institutional pressures. Structured analysis revealed promising future avenues to further progress the realm of institutional environments and organizational knowledgeable responses. Our contribution is expected to be of relevance to practitioners managing organizations in the face of unfavorable institutional setups, as well as to policy makers engaged in the development of institutions and interacting with affected organizations.

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Methodology

In this paper, we follow North's (1990: p. 3) definition of institutions stated as 'the rules of the game' in a society or economy. Institutions are seen as prescriptions of appropriate conduct (Greenwood *et al.*, 2013) that may be of cognitive, normative, or regulative nature (Scott, 1995). In order to not exclude any relevant contribution in the literature, we apply a rather broad definition of institutions that accounts for an organization's entire institutional environment including political institutions such as regulations, economic institutions such as market structures, and socio-cultural institutions such as informal norms (Henisz & Delios, 2002), as well as their respective enforcement mechanisms (Ingram & Clay, 2000).

Aligning with DiMaggio and Powell (1991), we distinguish between *old institutionalism* that focused on power and date back to Selznick (1948), the legitimacy-focused *new institutionalism* that was initialized by Meyer and Rowan (1977), and the *neo-institutionalism* that tries to integrate and bridge the gaps between the two old schools (e.g. Greenwood & Hinings, 1996). We follow Collins' (2013: p. 527) definition of *organizations* stated as 'groups of all types, whether they are social groups, coalitions, or corporations, structured to pursue some collective purpose'. Although this paper focuses on corporations, the broad definition eases integrating studies from other fields.

Our analysis of the institutional literature focusing on potential organizational knowledgeable responses to institutional pressures was piloted with articles from reputed journals in the fields of general management, strategy, organizations, and international business. Specifically, we focused on articles published in Academy of Management

Journal (AMJ), Academy of Management Review (AMR), Administrative Science Quarterly (ASQ), Journal of Management (JoM), Strategic Management Journal (SMJ), Organization Science (Org Sci), Organization Studies (Org Stu), and Journal of International Business Studies (JIBS). This pilot review helped in defining the keywords for the actual review. Following the pilot study, we used EBSCO host services and searched for several keywords and combinations including, among others, institutional environment, institutional pressure, embedded agency, entrepreneurship, and organizational field.

We preselected articles by their title and abstract. Particularly, abstracts were studied to decide on a case-by-case basis whether the paper's content contained aspects relevant to our chosen research question, i.e. organizational knowledgeable responses to unfavorable institutional environment including enabling conditions, limitations to their application, critical assessments, and case studies. Each of the authors checked the selection of the other. Only in 4 per cent of the papers selected, the authors disagreed on the selection. In case of doubt, the paper was kept among the selected papers. In addition, we screened reference lists of the selected papers to identify the left out relevant papers from other fields such as economics, entrepreneurship, sociology, and politics. We also supplemented these selected papers with several impactful books and book chapters that are widely cited within the institutional literature. More than 150 papers on the key concepts of institutional theory and the response opportunities of organizations were identified and analyzed. Throughout the process, we reviewed each piece of literature in detail in order to determine its contribution to the specific research questions raised in this paper. The close evaluation of organization's knowledgeable response to institutional pressure clustered the literature into three broad themes - *passively responding* within one organizational field, *reactively responding* to institutional multiplicity, and *proactive developing* institutional environments through embedded agents. We discuss in detail the strategies adopted by organizations under each of these individual themes below.

Review - Institutional pressures and corresponding knowledgeable responses

Passively responding within one organizational field

DiMaggio and Powell (1983) introduced the notion of the ‘organizational field’, which later constituted to be a central concept of institutional theory (Wooten & Hoffman, 2013) and the ‘primary arena’ (Heugens & Lander, 2009: p. 62) used to conceptually and empirically research organizational knowledgeable responses to institutional pressures (Oliver, 1991). Originally defined as ‘sets of organizations that, in the aggregate, constitute an area of institutional life; key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products’ (DiMaggio & Powell, 1983: p. 148f), organizational fields are the major level at which institutional impacts shape organizational behavior (Pache & Santos, 2010). Scott (1995) further added that organizations within an organizational field interact more directly and repeatedly with each other than with actors outside the field and share collective beliefs and meaning systems. New institutionalists frequently conceptualized organizational fields as being single and unitary (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Accordingly, each organization within an organizational field is influenced by the same institutional pressures. Figure 2 illustrates the different concepts and types of organizational knowledgeable responses in a simplified manner.

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Acquiescence

Following Meyer and Rowan's (1977) seminal article, institutional theory basically promoted a single organizational knowledgeable response to institutional pressures within an organizational field called *acquiescence* (Oliver, 1991), which means non-reflective conformity (Lawrence, 1999). Driven by skepticism towards atomistic accounts of social processes as advocated by, for example, neoclassical economists, new institutionalists emphasized the strong and direct impact of institutional forces on the conduct of organizations (Heugens & Lander, 2009; Wooten & Hoffman, 2013). Rejecting rational choice as an 'undersocialized' (Granovetter, 1985: p. 481) conception that undermines environmental impacts, new institutionalists shared the conviction that the source driving organizational action originates from outside the focal actor (Wooten & Hoffman, 2013).

According to new institutional logics, firms react on institutional pressures with submissive alignment (Kostova *et al.*, 2008) by adapting their structure and conduct to a given institutional pressure (Boxenbaum & Jonsson, 2013). This indiscriminative conformity results in organizational isomorphism (Battilana *et al.*, 2009; Greenwood *et al.*, 2013; Boxenbaum & Jonsson, 2013; Lawrence, 1999; Hoffman & Ventresca, 2002) as the behavior of organizations sharing an institutional field must reasonably be expected to be shaped by the same structural forces (Heugens & Lander, 2009). This uniformity–created over time as organizations collectively follow and incorporate institutionally prescribed templates (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983)–refers to organizational structure (Tolbert & Zucker, 1983; Bansal & Penner, 2002), conduct (Bansal & Penner, 2002; Boxenbaum & Jonsson, 2013), and output (DiMaggio & Powell, 1983; Boxenbaum & Jonsson, 2013), and, less visibly, extends to culture, beliefs and values (Bansal & Penner, 2002; DiMaggio & Powell, 1983).

Institutional literature proposes three major justifications for acquiescing. First, following rationalized myths about what constitutes proper behavior (Boxenbaum & Jonsson, 2013) that are accepted as externally given social facts (Wooten & Hoffman, 2013). Second, gaining legitimacy in the eyes of relevant stakeholders (Meyer & Rowan, 1977; Scott, 1987; DiMaggio & Powell, 1983; Lawrence, 1999; Kostova & Roth, 2002; Jackson & Deeg, 2008; Battilana *et al.*, 2009; Boxenbaum & Jonsson, 2013; Greenwood *et al.*, 2013; Wooten & Hoffman, 2013). Third, copying standard approaches in situations of high uncertainty and ambiguity (DiMaggio & Powell, 1983; Shipilov *et al.*, 2010). As Table 1 shows, the three reasons for conformity can be linked to the types of institutions, types of isomorphism (Kostova & Roth, 2002) and acquiescence responses by Oliver (1991).

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Following rationalized myths led to frequent criticism claiming that acquiescence was the response of mindless actors (Schmidt, 2008; Wooten & Hoffman, 2013). On the other hand, gaining legitimacy and avoiding uncertainty are two undeniable benefits of conformity and isomorphism (DiMaggio & Powell, 1983). Hence, acquiescing organizations are not necessarily mindless but might decide consciously (Cantwell *et al.*, 2010; Regnér & Edman, 2014; Luo *et al.*, 2002) in order to be rewarded for conformity (Scott, 1987). Correspondingly, a meta-analytical evidence contradicts the conformity-performance tradeoff and shows a positive relationship between isomorphism and firm performance (Heugens & Lander, 2009).

Institutional theory has been substantially criticized for its contextual and argumentative orientation during the era of new institutionalism. Three main concerns were raised by critics. First, Meyer and Rowan (1977) and their early fellows had a strong bias towards explaining organizational homogeneity (isomorphism) rather than heterogeneity (DiMaggio & Powell, 1983). Organizational fields, institutional pressures and organizational knowledgeable responses were all conceived as static and unitary (Wooten & Hoffman, 2013). Second, new institutionalists have frequently deduced the operation of institutional processes from the mere presence of isomorphism (Adegbite & Nakajima, 2012; Heugens & Lander, 2009). Organizations may decide for identical patterns not because they are forced, uncertain, or morally obliged to do so (Boxenbaum & Jonsson, 2013), but because it is the best available solution that weeds out less efficient ones (Scott, 2008; Heugens & Lander, 2009). Third, the most fundamental criticism refers to new institutionalists' neglect of agency (Lawrence, 1999; Heugens & Lander, 2009). Later, institutional theory scholars remarked that organizations have some discretion in responding to institutional pressures (Heugens & Lander, 2009), and that these pressures may even be a source of deviance (Oliver, 1991) or institutional entrepreneurship, organizational knowledgeable responses that we elaborate next.

Reactively responding to institutional multiplicity

Institutional theory's early focus on explaining homogeneity started being severely challenged during the years following the new institutional era. Institutionalists increasingly questioned and re-examined their earlier assumptions (Scott, 1987) such as the concept of a single, unitary, and stable organizational field (Cantwell *et al.*, 2010). Researchers developed a growing acceptance that organizations face not one but multiple institutional environments (Scott, 1987), and that both organizational fields and organizations are less homogeneous as initially envisaged (Greenwood *et al.*, 2013). This work resulted in the establishment of the concept of institutional multiplicity as the existence of multiple institutions and institutional logics both within and across organizational fields.

Multiplicity exerts contradictory demands on organizations (Seo & Creed, 2002; Pache & Santos, 2010; Scott, 1987). Contradictions may arise between institutions of different types, levels, locations and temporal spheres (Purdy & Gray, 2009; Westphal & Zajac, 2001). The challenge for organizations arises from institutions being not only numerous, but also conflicting. Institutional literature stresses the complexity (Alon, 2013; Greenwood *et al.*, 2010; Batjargal *et al.* 2013; McPherson & Sauder, 2013; Chandler, 2014; Raaijmakers *et al.*, 2015; Ramus *et al.*, 2017) and interdependence (Ostrom, 2005; Ingram & Silverman, 2000) of institutions and their impact on organizations.

The concept of institutional multiplicity is at odds with new institutionalism's standard response to institutional pressures. Unilateral conformity as introduced above is not possible as satisfying one institutional demand would mean to ignore or defy another (Pache & Santos, 2010; Oliver, 1991), thereby endangering the organization's overall legitimacy (Scott, 2008; Pache & Santos, 2010). Organizations' identities are pulled apart and cross-institutional consistency and integrity are hardly achievable (Kraatz & Block, 2013). On the contrary, being subject to multiple institutional pressures or logics may create opportunities (Regnér & Edman, 2014) as organizations use the existing contradictions as well as their exposure to other organizational fields and their experience with conflicting institutional setups (Garud *et al.*, 2007). Inspired by multiplicity and driven by their interest to reduce uncertainty and resolve conflict (Oliver, 1991), organizations may engage in alternative practices and strategic and knowledgeable responses (Oliver, 1991; Hardy & Maguire, 2013; Regnér & Edman, 2014). As firms are less homogeneous as assumed in new institutionalism, their knowledgeable responses to institutional pressures will also be less uniform (Doshi *et al.*, 2013; Greenwood *et al.*, 2013).

Therefore, conventional new institutional assumptions and explanations are not sufficient (Kraatz & Block, 2013) as 'institutional environments are multiple, enormously diverse, and variable over time' (Scott, 1987: p. 508), and firms can respond to institutional multiplicity, both despite and because of it (Kraatz & Block, 2013). In the next sections, we elaborate on possible organizational knowledgeable responses to institutional pressures that are more active and creative than new institutional acquiescence.

Reactive responses

Starting in the 1990s, institutional theory experienced more and more criticism for portraying organizations too passively and environments as overly constraining

(Greenwood *et al.*, 2013). The focus on passivity rather than activeness, conformity rather than resistance, and unconscious habit rather than rational decision making became less accepted (Oliver, 1991; Greenwood *et al.*, 2013), and researchers called for the restoration of agency to institutionalism (Leca & Naccache, 2006). Institutional literature thus shifted to a greater emphasis on organizational self-interest, agency, and strategic knowledgeable responses to institutional pressures (Oliver, 1991; Cantwell *et al.*, 2010; Wooten & Hoffman, 2013; Schilke, 2017). This emancipation from determinism (Leca & Naccache, 2006), along with the tensions stemming from institutional multiplicity (Pache & Santos, 2010), allow for considering diverging organizational knowledgeable responses (Ingram & Clay, 2000) that reach from conformity to outright defiance (Oliver, 1991).

Organizations applying the responses introduced in this section still conceive of institutions as externally given and constraining. Yet, they do not operate towards changing institutions' nature or influencing their development. The focus is rather on actively dodging or ignoring institutional pressures, and strategically alleviating the tensions stemming from institutional multiplicity (Pache & Santos, 2010). We explain the widely adopted four reactive responses, namely ceremonial adoption, avoidance, compromise, and ignorance, in Table 2.

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Proactive development of institutional environments by embedded agents

During the end of the 1990s, scholars increasingly lamented that organizations were still portrayed as being largely caught within institutional constraints and that institutional theory lacked the power to explain institutional change. Consequently, they called for bringing back the concept of change into the institutional literature and for paying more attention to organizations' active influence on institutional development (Hirsch & Lounsbury, 1997; Greenwood & Hinings, 1996).

In the following years, research has been shedding more light on how institutions originate and evolve under the purposive influence of organizational actors (e.g. Hoffman & Ventresca, 2002; Seo & Creed, 2002; Kogut *et al.*, 2002). Within this stream of literature, organizational agency does not merely refer to a degree of adaptation (Saka-Helmhout & Geppert, 2011). Organizational actors do not only work towards neutralizing or dodging institutional pressures, but to affect, change and shape the formation and transformation of institutions and their impacts on organizations (Lawrence, 1999; Dorado, 2005). This *new level of agency* that is intended to *improve the rules* has been termed institutional strategy– as opposed to competitive strategy that is limited to *improve within the rules* (Lawrence, 1999; Martin, 2014).

The central role assigned to organizational agency in the (trans)formation of institutions engendered a major debate in institutional literature at the center of which is the paradox of embedded agency – 'one of the most important challenges facing contemporary institutional theory' (Battilana *et al.*, 2009: p. 96). The core question the debate circles around is how an organization (or individual) whose identity, cognition and conduct are conditioned by the prevalent institutions is able to break with and change these very same institutions (Holm, 1995; Battilana *et al.*, 2009; Thornton & Ocasio, 2013).

Being subject to regulative, normative and cognitive institutions, how can actors disembed from these influences (Leca & Naccache, 2006) and envision and champion new structures and practices (Hardy & Maguire, 2013)?

The debate is enriched by structural determinism on the one side and rational choice on the other (Battilana *et al.*, 2009). The former conceives of institutions as hegemonic (Greenwood *et al.*, 2013) and organizations as unable to escape institutional embeddedness (Leca & Naccache, 2006; Pinkse & Kolk, 2012), the latter understands organizations as free to decide and act. This long-standing tension between structure and agency is a central theme in recent institutional thinking (Greenwood *et al.*, 2013).

In order to come to a solution to the paradox of embedded agency, literature on institutional entrepreneurship and co-evolution proposes to account for institutions as enabling and constraining but not determining the choices of actors (Battilana *et al.*, 2009). Structure and agency should not be put in a subordinate relation to each other as this would either neglect the freedom of actors or the constraining power of institutions (Leca & Naccache, 2006). The co-evolutionary perspective, based on the notion of institutions being enacted instead of divined (Berger & Luckmann, 1967; Lawrence, 1999), explicitly considers multi-directional interaction patterns (Dieleman & Sachs, 2008; Lewin & Volberda, 1999) by ‘accounting for the influence of context on the entrepreneur and for the freedom of the latter to modify it’ (Dieleman & Sachs, 2008: p. 1274). Organizations and institutions are conceived as parts of a larger system where they interdependently influence each other’s evolution (Dieleman & Sachs, 2008) in a dynamic and complex manner (Carney & Gedajlovic, 2002; Sun et al., 2014). This perspective of mutual interaction allows for institutions being products of and constraints to action alike (Holm, 1995;

Beckert, 1999; Carney & Gedajlovic, 2002; Rodrigues & Child, 2003). This actually corroborates North's (1990: p. 3, emphasis added) early definition of institutions as '*humanly devised* constraints that structure human interaction'.

Institutional entrepreneurship

Institutional entrepreneurship, originally introduced into literature by DiMaggio (1988) has attracted a lot of attention in management research during the last years (e.g. Garud *et al.*, 2007; Battilana *et al.*, 2009; Pacheco *et al.*, 2010; Tolbert *et al.*, 2011; Canales, 2016; Qureshi *et al.*, 2016). It represents an intriguing field as institutionalism traditionally tends to focus on continuity while entrepreneurship has always been closely related to change (Garud *et al.*, 2007; Henfridsson & Yoo, 2013). Compared to the other organizational approaches introduced above, institutional entrepreneurship is something inherently imaginative and proactive. It can be called the innovation & knowledgeable response to institutional pressures. Innovations as the result of institutional entrepreneurship may comprise new formal institutions (e.g. Demil & Bensédrine, 2005), deinstitutionalization (i.e. the dissolution of an existent institution) (Hardy & Maguire, 2013), new organizational forms (e.g. Greenwood & Suddaby, 2006), new role identities (e.g. Rao *et al.*, 2003), or new practices (e.g. Boxenbaum & Battilana, 2005).

Institutional entrepreneurship is induced or facilitated by two enabling aspects - field-level conditions (Table 3) and the entrepreneur's personal or organizational characteristics (Table 4). An institutional entrepreneur is defined as a 'self-interested agent that sponsors institutional change to capture economic benefits' (Pacheco *et al.*, 2010: p. 975), whereas the actors on the other hand merely react on given institutional pressures.

Institutional entrepreneurs may be individuals or groups of individuals (Maguire *et al.*, 2004; Kraatz & Moore, 2002), organizations or groups of organizations (Garud *et al.*, 2002; Greenwood *et al.*, 2002), and may either be central actors (e.g. Greenwood & Suddaby, 2006; Rao *et al.*, 2003; Boxenbaum & Battilana, 2005) or peripheral peers (Lounsbury *et al.*, 2003; Hensmans, 2003). Literature suggests that institutional entrepreneurs achieve their intended objectives through four main approaches, namely spotting opportunities, mobilizing resources, collaborating, and discoursing, as detailed in Table 5.

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Political strategies

Institutional literature suggests that firms not only combat competitors in different market arenas but also in the nonmarket political realm to influence the institutional players who determine public policy (e.g. state and federal legislatures, regulatory agencies and courts) (Oliver & Holzinger, 2008; Peng *et al.*, 2009; Dieleman & Widjaja, 2018). Organizational attempts to affect the policies and regulations that impact their conduct and performance potentials have long been and still are intensively researched, as exemplified by the literature on corporate political activities and nonmarket strategies (e.g. Holburn & Vanden Bergh, 2002). Political strategies are limited to regulative–as opposed to normative and cognitive–institutions (Keefer & Knack, 2005). Hillman and Hitt (1999) distinguish organizations' political approaches into informational strategies, financial incentive strategies and constituency building strategies which correspond to the three goods in political markets–information, money, and votes, respectively (Hillman at al., 2004).

As political entities assume substantial influence on the institutional arrangements governing organizations (Holburn & Vanden Bergh, 2002; Cui & Jiang, 2012), political strategies have the potential to considerably enhance organizational performance (Shaffer, 1995). While political strategies often lead to one-time transactional advantages (Hillman *et al.*, 2004) like preferential access to licenses or government contracts (Dieleman & Sachs, 2008; Puffer *et al.*, 2010), institutional theory predominantly emphasizes the value of organizations' long-term relational advantages (Hillman *et al.*, 2004) allowing them to shape regulatory boundaries (Rodrigues & Child, 2003) and the institutional environment at large (Dieleman & Sachs, 2008; Holburn & Vanden Bergh, 2002).

Political strategies may promise more benefits when applied in deficient resource environments as political advantage through nonmarket strategies might be easier obtainable and more performance-relevant than market strategies (Wan, 2005; Brockman *et al.*, 2013). However, organizations should be aware that political strategies have some substantial limitations. First, they might backfire in case political power switches, e.g. through elections (Feinberg & Gupta, 2009; Dieleman & Sachs, 2008); second, political engagement may be perceived as illegitimate, particularly when it includes corruption (Dieleman & Sachs, 2008); third, non-market strategies and capabilities are extraordinarily local in nature and can hardly be transferred to other realms (Wan, 2005).

Cognitive and discursive strategies

Cognition and discourse refer to actors' 'background ideational abilities' and 'foreground discursive abilities' (Schmidt, 2008: p. 315). Of particular interest for proactive organizational knowledgeable responses to institutional pressures is actors' ability to think and speak beyond prevailing institutional frames. While cognition comprises mental processes like perceiving, interpreting, and sensemaking, discourse refers to practices of talking and writing (e.g. Phillips *et al.*, 2004; Cornelissen et al., 2015). The focus is on texts as well as on the context and the consequences of their production and diffusion (Schmidt, 2008). Accordingly, the discursive perspective conceptualizes institutions as a 'textual affair' (Munir & Phillips, 2005: p. 1669). From a cognitive point of view that builds on social constructivism (Berger & Luckmann, 1967), institutions are mental entities that exist only in the minds of the people (Holm, 1995). Institutions are constituted as meanings that are increasingly shared and accepted as reality (Hardy & Maguire, 2013; Phillips *et al.*, 2004), a process that can be proactively supported and shaped by linguistic agents.

Integrating institutional theory and cognition is a fascinating endeavor as 'institutional theory emphasizes similarities, but issue interpretations recognize differences' (Bansal & Penner, 2002: p. 322). While institutionalism's traditional focus on isomorphism seems to clash with the nature of cognitive processes that are first and foremost individual, they may also complement each other if we understand institutions as shared and taken-for-granted cognitive frames. Institutional influences and pressures are not free from filtering and interpretation processes (Wooten & Hoffman, 2013; Lawrence, 1999). Individual actors have their personal selective attention and perception, cognitive frames and sense making (Hoffman & Ocasio, 2001; Pache & Santos, 2010; Dorado, 2005). As cognition renders objective conditions differently (Dorado, 2005), the cognitive lens provides an explanation for heterogeneity in organizational knowledgeable responses to institutional pressures (Bansal & Penner, 2002; Wooten & Hoffman, 2013). Moreover, the insight that individuals' understandings, organizations' actions and actors' acceptance of institutions depends on cognitive processes, encourages some players to take proactive influence on institutional evolution by influencing others cognitions. Proactive agents may channel the sense-making activities of others (Garud *et al.*, 2007) in directions of the institutional setups they favor. Shaping others' understanding of institutional arrangements will mostly be realized via discursive activities (Phillips *et al.*, 2004).

In this respect, discursive activities can take different forms and may be used for different developmental objectives. Concerning the latter, Mair *et al.* (2012: p. 827 & 840) point to the importance of 'conscientization', where others are provoked to self-reflect and question their institutional conditions to start de-naturalizing them and become aware of 'possibilities for expanding the boundaries of permissible behavior'. Another frequent objective is the active de-legitimatization of unfavorable institutions by describing existing structures or practices as unjust, ineffective or inefficient (Hardy & Maguire, 2013). In parallel, discourse is applied to promote alternative institutions (Phillips *et al.*, 2004; Hardy & Maguire, 2013) and create legitimacy for institutional change and new practices (Seo & Creed, 2002; Hardy & Maguire, 2013).

The most important objective attributed to discourse is the conviction and mobilization of potential followers (Battilana *et al.*, 2009). As successful institutionalization requires a broad collective of supporters, discourse is the primary means for sharing ideas and understandings (Abdi & Aulakh, 2012; Moisander *et al.*, 2016), engaging in sense giving (Gioia & Chittipeddi, 1991), making change meaningful to others (Hardy & Maguire, 2013), building consensus (Hardy & Maguire, 2013), persuading potential collaborators (Garud *et al.*, 2002), and generating collective action

(Benford & Snow, 2000). In order to achieve those objectives, actors may turn to different discursive tools and techniques.

Self-regulation

In case of institutional pressures being too intrusive (King & Lenox, 2000), too difficult (Okhmatovskiy & David, 2012) or overly costly (Lenox, 2006) to comply with, firms may decide to proactively install an alternative institutional arrangement for the same fundamental issue which is (planned to be) addressed by an undesirable government regulation (Ahuja & Yayavaram, 2011). This organizational knowledgeable response to unfavorable institutional pressures is called self-regulation and can be implemented by firms individually (Okhmatovskiy & David, 2012) or collectively through bodies such as trade associations (King & Lenox, 2000).

Instead of complying at high costs or not complying at all (Okhmatovskiy & David, 2012) organizations may allay the concerns of stakeholders (Lenox, 2006) by introducing alternative private institutions such as codes of business conduct, corporate governance codes, corporate social responsibility guidelines, or other prescriptions (Sethi, 2003; Bondy *et al.*, 2004). Examples of self-regulation includes the voluntary adoption of environmental standards by the US chemical (King & Lenox, 2000; Lenox, 2006) and tourism (Rivera & de Leon, 2004) industries, introduction of individual internal corporate governance codes (ICGC) by Russian firms to avoid the demanding requirements of the official Russian corporate governance code (FCSM) (Okhmatovskiy and David, 2012), and the non-obligatory adherence to IFRS standards (Alon, 2013).

By sticking to these self-imposed standards that are less costly to comply and more amenable to organizational influence (Ahuja & Yayavaram, 2011), organizations signal that they do not ignore important issues that are subject to regulation and avoid the negative consequences of noncompliance with the original institutional requirement (Okhmatovskiy & David, 2012). Proactively forestalling or replacing government regulation (Lenox, 2006) allows firms to justify their noncompliance with the original requirements (Okhmatovskiy & David, 2012) or to argue that those public institutions are not required anymore (Ahuja & Yayavaram, 2011).

Critics of self-regulation point to the inherent danger of opportunism and free-riding as the exerted institutional pressure is normative instead of coercive, and private standard-setters do not have the same power to monitor and sanction deviators as state authorities would have (King & Lenox, 2000).

Strategies in the face of institutional voids

In some environments–those where the institutional landscape is weakly developed–the primary institutional challenge for firms is not responding to pressures but filling or dodging institutional voids. They do so by applying two organizational strategies – substitution and internalization. While some of the strategies presented above, e.g. institutional entrepreneurship, may be equally applicable to institutionally deficient environments, these two strategies presented next are specifically tailored to institutional voids

Substitution

Substitution as a strategy to counter institutional voids rests on the assumption of different institutions being substitutable by one another. Transaction costs are frequently used as a selection criterion (Meyer, 2001). The constellation most frequently researched is the replacement of weak public formal institutions (e.g. contract enforcement and property rights protection) by private informal arrangements (e.g. networks) (Jackson & Deeg, 2008; Batjargal *et al.*, 2013) which is based on trust (Dyer & Chu, 2003), communal norms and intra-network sanctioning mechanisms (Greif, 2006; Hillmann & Aven, 2011). This informal system based on mutual support, effective monitoring, and fast transfer of reliable information allows for trustworthy partnerships (Hillmann, 2013) at rational transaction costs as uncertainty is reduced (Peng *et al.*, 2009) by checking for partners' social and reputational capital (Peng *et al.*, 2005).

A major limitation of private networks is that their effectiveness depends on density and closure (Abdi & Aulakh, 2012; Hillmann & Aven, 2011). As enforcement can only be ensured within the confines of close-knit communities they are primarily a local phenomenon that turns ineffective and inefficient when transactions cross spacial and social borders (Ingram & Silverman, 2000; Hillmann, 2013; Abdi & Aulakh, 2012). Another major limitation to reputation-based institutional arrangements is their dependence on recurring transactions (Zenger *et al.*, 2002; Lazzarini *et al.*, 2004). In addition, it can be noted that deficient formal institutions are not always replaced by informal ones in a socially favorable way; formal institutional voids may also lead to the proliferation of corruption and outright bribery (Tonoyan *et al.*, 2010).

Internalization

Organizations that are either not able or not willing to rely on uncertain contractual arrangements (i.e. formal institutions) and do not have any faith in substitutes like relational norms or trust, may still decide for ownership control and internalize important operations (Feinberg & Gupta, 2009). Internalization theory (e.g. Buckley & Casson, 1976) suggests that internalizing is superior to market transactions as long as the transaction costs of trading internally are lower than those of using the market. In addition to transaction cost argument, internalization increases intra-firm specificity of a firm's assets (reduces the risk of expropriation), reduces the cost of monitoring, and enhances the similarity of value systems and business practices (Feinberg & Gupta, 2009). As the dependence on local market participants, partners and institutions is greatly reduced (Feinberg & Gupta, 2009), organizations experience much less exposure to institutional voids (Chang & Hong, 2000; Guillén, 2000) and such negative consequences like information asymmetries between buyers and sellers (Meyer *et al.*, 2009) or the risk of expropriation by cooperation partners (Feinberg & Gupta, 2009). By giving preference to *make* instead of *buy*, firms may increase the extent of intra-firm trade and revenue streams (Feinberg & Gupta, 2009). This claim is supported by numerous studies indicating that large diversified conglomerates situated in institutionally deficient emerging economies frequently enjoy higher profitability than independent firms (Chang & Hong, 2000; Guillén, 2000; Khanna & Rivkin, 2001).

Synthesis and extension of the extant literature

Though being well-established, institutional theory still enjoys numerous developments and massive interest among scholars from different fields, including management, economics, sociology, politics and entrepreneurship. Decades of research by scholars from all these fields have answered many questions and critiques, but also triggered new ones that have not yet been sufficiently answered by the academic community. In the context of our review presented in previous section, we synthesize some of these issues and simultaneously extend the literature by pointing to promising directions for future research.

Institution and agency

Although we outlined how the concept of embedded agency contributes to solving the structure-versus-agency debate, this long-standing struggle is not yet resolved. Very recently, international business research was criticized (e.g. Saka-Helmhout & Geppert, 2011; Regnér & Edman, 2014) for its narrow view of institutions which largely accounts for their deterministic character as ‘rules of the game’ (North, 1990: p. 3). Several scholars have lamented the strong underrepresentation of agency in institutional analyses of the multinational enterprise (MNE) (e.g. Kostova *et al.*, 2008; Phillips *et al.*, 2009).

On the contrary, studies that privilege agency are frequently criticized for promoting heroic models of actors (e.g. Garud *et al.*, 2007). Particularly, ‘the notion of ‘institutional entrepreneur’ too often invokes ‘hero’ imagery and deflects attention away from the wider array of actors and activities’ (Lounsbury & Crumley, 2007: p. 993). Similarly, some institutionalists (e.g. Delmestri, 2006) criticize institutional entrepreneurship ‘for promoting an instrumental and disembedded view of agency that is, arguably, incompatible with institutional theory’ (Battilana *et al.*, 2009: p. 73). We agree with others that future institutional research should investigate in how far a broader collective of actors contributes to institutional change (Hardy and Maguire, 2013; Lounsbury & Crumley, 2007). For instance, both the application of the discursive lens

(Zilber, 2007) and the integration of institutional theory and social movement theory (e.g. Lounsbury et al., 2003) hold great promise in this regard.

Institution and isomorphism

Institutional scholars have been criticized for quickly accepting isomorphism as a sufficient indicator of institutionalization (Heugens & Lander, 2009). Mizruchi and Fein (1999: p. 664) complain that researchers are ‘positing a particular process that results in a behavioral outcome, but they are measuring only the outcome while assuming the process’. Others added that practices are not necessarily adopted for legitimacy reasons (Boxenbaum & Jonsson, 2013) or as a knowledgeable response to institutional pressures (Greenwood *et al.*, 2013). There are multiple alternative explanations for isomorphism, including social-level learning (Levitt & March, 1988), other ‘bandwagon’ processes (e.g. Abrahamson & Rosenkopf, 1993), or competitive superiority of the favored practice (Scott, 2008). Future empirical research is recommended to separate different kinds of isomorphism (Heugens & Lander, 2009) similar to Lee and Pennings (2002) and provide more compelling indicators of institutionalization than merely an increasing number of adopters (Boxenbaum & Jonsson, 2013).

Institution and its interdependency

Institutional studies tend to focus on one single institution and neglect its mutual interdependencies with other institutions on the same or superordinate levels, a shortcoming that may be particularly inaccurate and misleading in studies of institutional entrepreneurship and change. While inter-institutional connectedness may increase the constancy of an institution (Zucker, 1988) in times of stability, it may produce different patterns of dynamism in times of change (Holm, 1995). Notwithstanding rare exceptions (e.g. Crossland & Hambrick, 2011; Holm, 1995), institutional research has largely ignored such interdependencies. Scholars should take constellations of institutions into consideration instead of solely focusing on distinct ones.

Institution and organization dynamics

The majority of institutional studies decide for the environment, mostly the organizational field, as the level of analysis (Greenwood *et al.*, 2013). While doing so organizations are treated as unitary actors and intra-organizational processes are ignored (Pache & Santos, 2010; Greenwood *et al.*, 2013). Institutional theory may be further developed by acknowledging that each organization consists of multiple pluralistic entities with individual perceptions, interests and power bases. As exemplified in the literature (e.g. Kim *et al.*, 2007), investigating the interplay of institutional and intra-organizational dynamics seems promising. In particular, we agree with Pache and Santos (2010: p.459) who note that ‘intra-organizational processes are an important factor explaining differences in organizational knowledgeable responses to institutional pressures’. This interplay has implications on entrepreneurial activities such as setting up new firms and deciding on its business model, thereby helps in understanding why certain institutional environment give rise to more (or less) entrepreneurial activities (Dai and Liao, 2018; Opper et al., 2018).

Institution and its maintenance

Hardy and Maguire (2013) raise the question whether organizational action ends once practices are initially institutionalized or it comprises subsequent ‘institutional work’ (Lawrence & Suddaby, 2006) aiming at their continuous preservation (Hardy & Maguire, 2013; Gill & Burrow, 2017). We conceive of institutional maintenance as being clearly distinct from mere stability or an absence of change, and involving directed activities by stakeholders interested in retaining a favorable institutional status quo (Adegbite & Nakajima, 2012). While some researchers point to the fact that institutions, even inefficient ones, may enjoy long-term persistence due to their long-established legitimacy, self-reinforcing character, and organizational space in which they operate (Roberts & Greenwood, 1997; Siebert *et al.*, 2017), literature hardly provides any accounts of active institutional maintenance (Lawrence & Suddaby, 2006; Lockett *et al.*, 2009). Research tends to depict organizational knowledgeable responses to institutional pressures as a one-time act. Future research may widen our horizon by conceptualizing organizational agency affecting institutions as an ongoing effort.

Institution and its entrepreneurship

Pointing to what we call institutional literature’s missing attention to the dark side, Mair and Martí (2009: p. 433) note that ‘an intriguing feature of the existing literature on institutional entrepreneurship is the almost complete lack of attention to its unintended and even negative effects’. Institutional literature provides numerous positive examples of institutional entrepreneurship and co-evolution in various fields like the health care system in Britain (Battilana *et al.*, 2009), the telecommunications industry in Brazil (Rodrigues & Child, 2003), the chemical sector in China and Taiwan (Child & Tsai, 2005), and diversified groups in South East Asia (Dieleman & Sachs, 2008; Carney & Gedajlovic, 2002), but has largely neglected opposition and failure. Although several researchers acknowledge the possibility of attacking or even eliminating institutions (e.g. Oliver, 1991; Kraatz & Block, 2013) it is always in the positive light of opposing inefficient or even evil institutional arrangements. Rare examples mention non-recoverable costs and disadvantageous lock-in effects (Cantwell *et al.*, 2010) as well as piratical entrepreneurship (Puffer *et al.*, 2010). Khan *et al.* (2007) offers the most extensive account of institutional entrepreneurship's negative effects by elaborating on increased unemployment and poverty as a result of an institutional entrepreneurship initiative aimed at abolishing child labor in the Pakistani soccer ball stitching industry. We call for more critical perspectives on institutional entrepreneurship, both for the sake of scientific neutrality and the very promising insights covered behind the unsuccessful, unintended, and destructive instances of institutional entrepreneurship.

While we do not limit this critique to institutional entrepreneurship but to institutional literature on organizational agency in general, we agree that there are way too few studies addressing destructive, unintended, or unsuccessful endeavors. Moreover, institutional literature has ignored consequences of organizational actions or institutional change that were unintended such as unrecognized inter-institutional cause-effect chains (Garud *et al.*, 2007; Kraatz & Block, 2013) and organizational vitality (Oertel *et al.*, 2016). Equally absent from the literature, but highly promising in terms of potential learnings, are instances of failed organizational agency (Hardy & Maguire, 2013; Battilana, 2006). Garud *et al.* (2007) and Hardy and Maguire (2013) argue that the limited attendance to the dark side stems from institutionalists' tendency to depict organizational actors, particularly institutional entrepreneurs, as heroic leaders, as it runs the risk of emphasizing intentionality and success. Another underrepresented perspective that links the dark side of institutional change and the aforementioned institutional maintenance is opposition or resistance to institutional change (Adegbite & Nakajima, 2012; Hardy & Maguire, 2013).

Institution and its change process

We see most promise for future institutional research in the expansion of cognitive and discursive studies and the execution of process-focused empirical research. Cognitive and discursive strategies, both as part of an institutional entrepreneur's repertoire and as a separate proactive approach, are powerful tools for modifying institutional arrangements. The discipline is still rather nascent and offers numerous white spots researchers could make the subject of their efforts. Weber and Glynn (2006) call for more exploration of sense making in the context of institutionalization. Zilber (2007: p. 1050) also notes that 'there are not many studies that explore how meanings are constructed and manipulated', Suddaby and Greenwood (2005) being a rare exception. Concerning discourse, Zilber (2007) contends that we do not know how exactly discursive mechanism are used by actors in the field. Future research may benefit from a detailed investigation of the content of texts, their effects, and different discursive mediums. Empirical progress in the cognitive and the discursive realm can be generated by collecting data 'in situ and in vivo' (Zilber, 2007: p. 1051). Similar to Zilber (2007) and Phillips *et al.* (2004), ethnographic studies can be conducted to deep-dive into the use of sense making and discourse in the context of organizational attempts to shape institutional arrangements. With regard to other future research potentials mentioned above, cognitive and discursive studies are of particular interest. As the dissemination of both texts and meanings is a clearly collective process, cognitive and discursive studies may lead research on institutional entrepreneurship away from its *hero imagery* and enhance the emphasis on broader collectives' impact on institutionalization (Zilber, 2007). Furthermore, discourse and sense making, seen as ongoing processes, may grow our knowledge on institutional maintenance, but also on intra-organizational dynamics and the *dark side*.

Concerning process studies, we join other scholars' (e.g. Phillips *et al.*, 2004) call for more such research in the field of organizational institutionalism. Dorado (2005) points to the need to understand how (as opposed to why) institutional change is created. Hardy and Maguire (2013) draw a dividing line between actor-centric perspectives and process-centric perspectives. The latter, that have been applied all too rarely, hold great promise for understanding how exactly organizations can impact institutional change, and, additionally, allow for zooming into unintended and negative results of such processes (Hardy and Maguire, 2013). Concerning institutional entrepreneurship, Phillips *et al.* (2004: p. 648) lament that 'existing views of institutional entrepreneurship leave its exact nature and the mechanisms through which institutional entrepreneurs work undefined'. Hardy and Maguire (2013: p. 199) agree by stating that it is 'unclear how institutional entrepreneurs get other embedded field members to take up and institutionalize new practices'. These kinds of questions, that are left unanswered by institutional literature so far, are exactly where process-focused studies can create considerable impact. A more process-focused view on how organizations respond to or impact institutional contexts incorporates the potential to simultaneously address some of the above-mentioned shortcomings within institutional literature. By investigating processes of institutional change, scholars cannot merely measure the outcome while assuming the process, would probably not treat organizations as unitary actors, and may shed light on under-researched phenomena like institutional maintenance. Moreover, it seems that 'disadvantages and possible negative outcomes of institutional entrepreneurship are more likely to be recognized in process-centric narratives' (Hardy & Maguire, 2013: p. 212).

Institution and its integration with other theories

Although institutional theory has been applied to many management phenomena like mergers (Joshi *et al.*, 2010), diversification (Peng *et al.*, 2005), or strategic alliances (Dacin *et al.*, 2007), it has only limitedly been integrated with other theories from management and related fields. For instance, we share Greenwood *et al.*'s (2013) assessment that the juxtaposition of institutional theory and the dynamic capabilities view would be an innovative and promising lens, particularly in emerging markets' fast-paced institutional environments. Integrative studies may produce great impetus for academic research as it lies not in the tradition of institutionalism to explain phenomena like change and dynamism (Child & Tsai, 2005). Dialogue with more activity-centered perspectives like dynamic capabilities, agency theory, or micro politics is assumed to produce fruitful contradictions and novel academic insights. Particularly, for researching organizational impact on institutional change the institutional literature hides great potential of arriving at new understanding when it leverages synergies with other research traditions (Davis & Marquis, 2005; Battilana *et al.*, 2009). In this regard, Child and Tsai (2005) particularly promote further integration of institutional and political perspectives for developing knowledge concerning embedded agency and co-evolutionary approaches like institutional entrepreneurship. Agreement comes from Holburn and Vanden Bergh (2002) who state that compared to the massive literature on competitive strategies, non-market strategies have received little academic attention. Future research integrating institutional and political accounts may, for instance, expand non-market strategies beyond political scholars' focus on government officials and draw scholarly attention to other relevant institutions (e.g. financial institutions, labor forces) (Peng *et al.*, 2005).

Conclusion

We started this research with an objective to understand the opportunities organizations have at hand to beneficially position themselves in the face of institutional pressures and strategically cope with them. For answering the first research question, we identified three broad thematic areas (i.e. *passively responding* within one organizational field, *reactively responding* to institutional multiplicity, and *proactive developing* institutional environments through embedded agents) and explained how organizations deal with different institutional pressures within each of those themes. In the process, we captured how the knowledgeable responses of organizations to institutional pressures have changed overtime, thereby answered the second research question. In the synthesis and extension section, we identified research gaps and formulated research questions that offer promising avenues for future work. Based on the review conducted, we conclude that, despite its age and maturity, institutional theory still enjoys massive interest in the academic world exemplified by several debates (e.g. Greenwood et al., 2014; Meyer & Höllerer, 2014) and continues to hold promising roads for future research to enrich our understanding of how organizations knowledgeably respond to and interact with institutions.

Research implications

During the era of new institutionalism, the institutional environment has been largely conceptualized as a unitary and stable organizational field and focused on organizational acquiescence leading to structural and behavioral isomorphism. Later, this core view of new institutionalism is complemented by the recognition of conflicting institutional demands and the concept of institutional multiplicity that allows organizations to exercise some level of strategic choice. We discussed organizational knowledgeable responses that conceive of the institutional environment as largely externally given and aim at circumventing institutional pressures. Triggered by the structure-versus-agency debate, institutional literature has further developed by addressing the paradox of embedded agency and creating more and more contributions that assigned organizations an even more active role in responding to and developing institutional arrangements.

Accordingly, this paper elaborates on proactive organizational approaches that span from institutional entrepreneurship over political strategies to cognitive and discursive approaches influencing institutional setups. These knowledgeable responses account for institutionalists' recent interest in explaining structural and behavioral heterogeneity instead of isomorphism, self-interested agency instead of obedience, and change rather than stability (Boxenbaum & Jonsson, 2013; Wooten & Hoffman, 2013). Simultaneously, the institutional literature has emancipated from its initial US ethno-centrism (Greenwood *et al.*, 2013) and meanwhile incorporates numerous accounts addressing different institutional environments including emerging and transition markets where the key institutional challenge for organizations is not dodging institutional pressures but proactively filling the institutional voids. We expect the comprehensive synthesis conducted in this research to lay the framework for investigating how knowledge-based view of the organization influences its knowledgeable response to institutional pressure.

Practice implications

After years of intensive development, today's institutional literature offers a rich portfolio of organizational knowledgeable responses to institutional pressures. The variety of approaches supports managers in both developed and emerging markets in reacting appropriately to the different institutional environments–either passively, actively, or proactively. Although introduced separately for structural and educational reasons, knowledgeable response strategies are not mutually exclusive (Cantwell *et al.*, 2010; Khanna *et al.*, 2010) and need not be applied on a stand-alone basis. On the contrary, as institutional environments and their impact on organizations vary widely across–and even within–organizational fields (Henisz & Delios, 2002; Clemens & Douglas, 2005; Khanna *et al.*, 2005), the potential responses may be fruitfully combined (Okhmatovskiy & David, 2012; Cantwell *et al.*, 2010; Oliver, 1991). A single organization's knowledgeable responses may vary across different host countries and industrial sectors (Cantwell *et al.*, 2010). Moreover, as institutional arrangements develop over time, organizational knowledgeable responses need to change as well (Khanna *et al.*, 2010; Cantwell *et al.*, 2010). Instead of a one-size-fits-all strategy (Wan, 2005), managers should carefully analyze the institutional environment (Khanna *et al.*, 2005) and customize their organization's array of knowledgeable responses by always taking firm-specific resources and capabilities into account (Henisz & Delios, 2002).

Policy implications

Whenever possible, we outlined the enabling conditions or limitations to the applicability of the discussed approaches. These are of particular relevance for institutional actors that want to engage in institutional change but also for policy makers that want to support or hinder specific institutional developments. Institutional reforms and conditions may have substantial impact on the economic development of countries or industries (Dikova & van Witteloosstujin, 2007). Whether introduced coercively by the state or co-evolutionarily developed by private stakeholders, institutional developments like the enhanced provision of public goods, the containment of corruption, or the improvement of market intermediation have significant impact on whether a country attracts firms and prospers (Rothenberg, 2007; Chan *et al.*, 2008; Gao et al., 2011; Kim et al., 2013).

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Figures

Figure 1: Research focus and key concepts

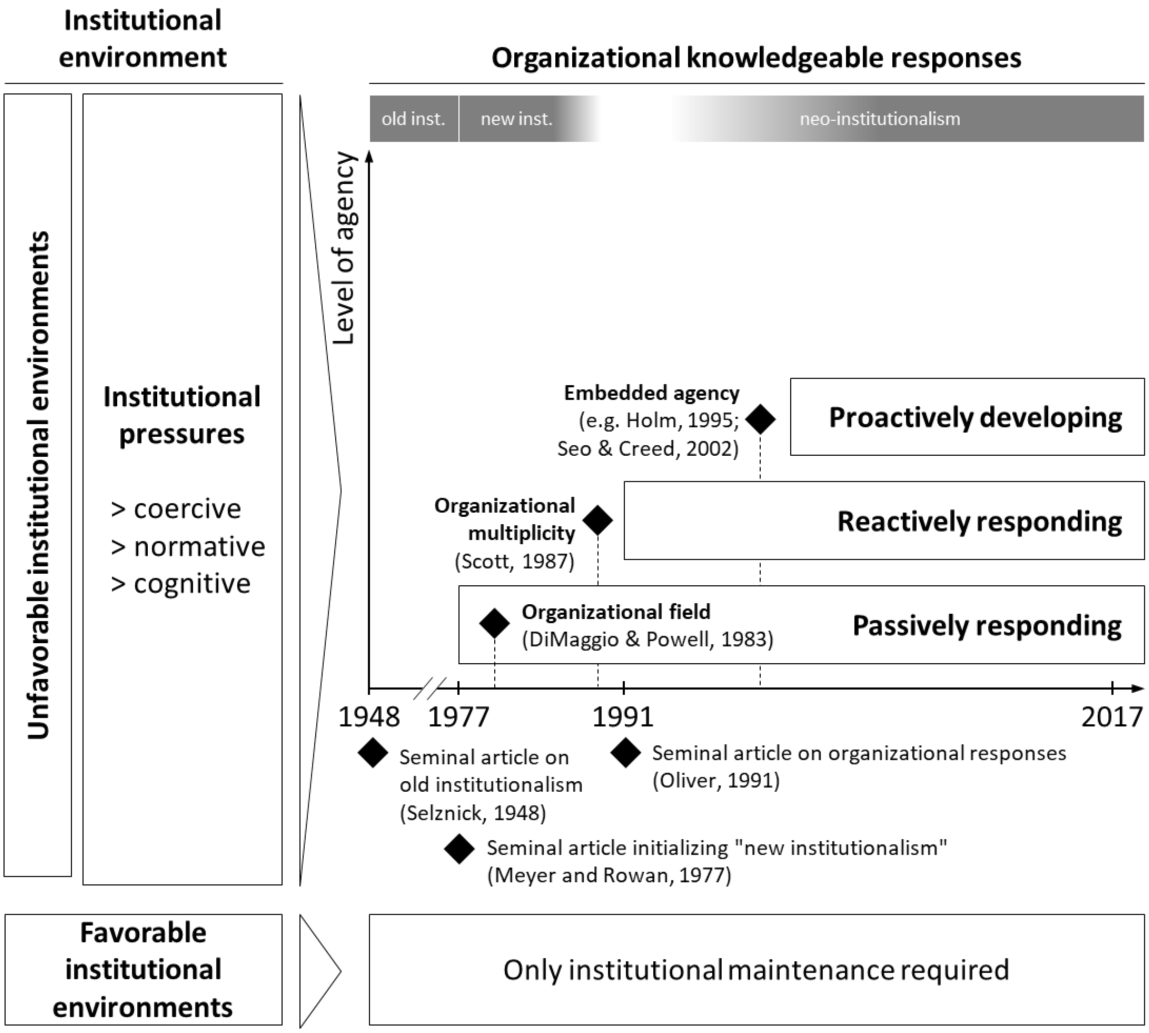
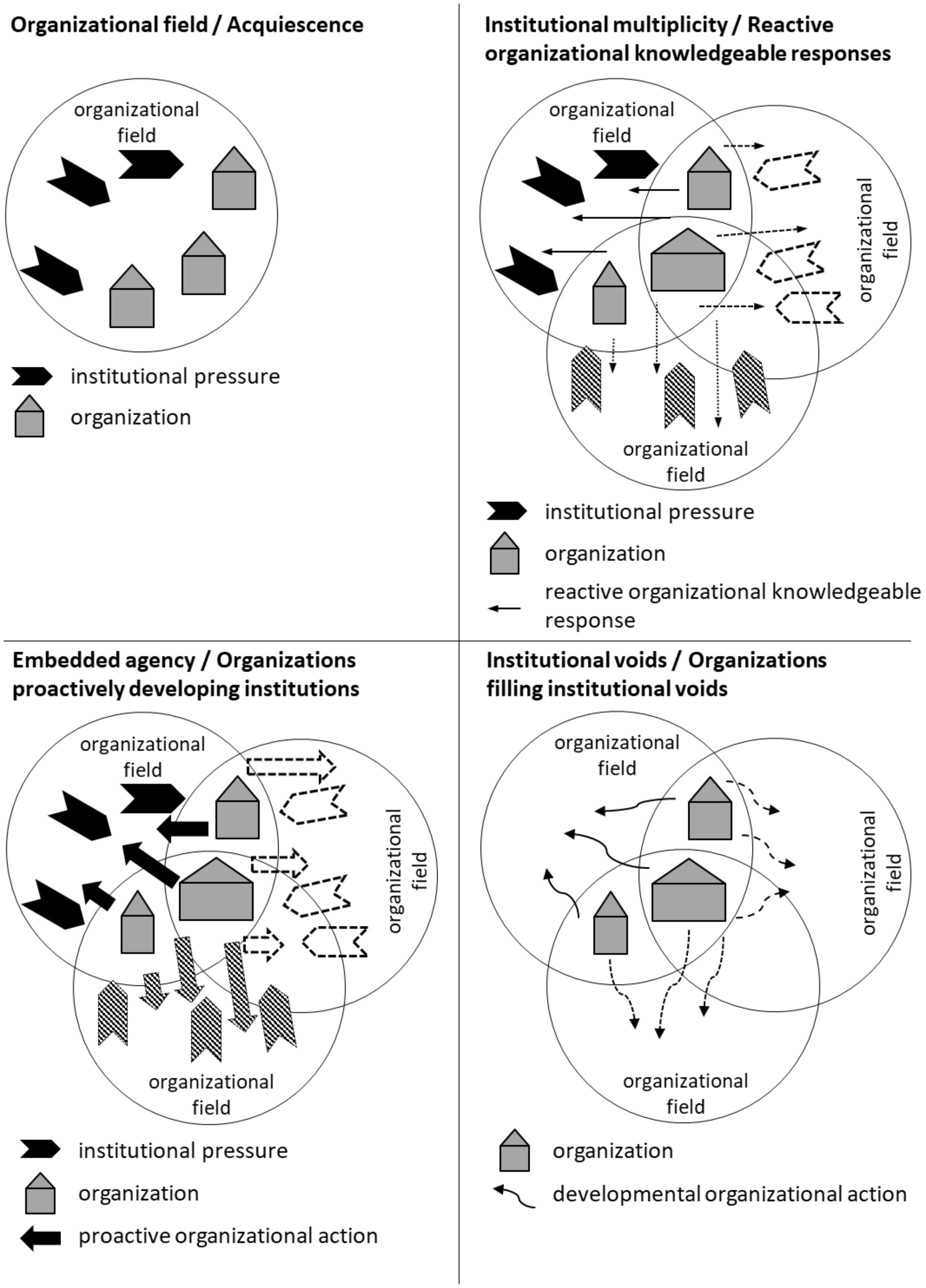

Institutional environment
Organizational knowledgeable responses
old inst.
new inst.
neo-institutionalism
Unfavorable institutional environments
Institutional pressures
> coercive
> normative
> cognitive
Level of agency
Embedded agency
(e.g. Holm, 1995; Seo & Creed, 2002)
Proactively developing
Organizational multiplicity
(Scott, 1987)
Reactively responding
Organizational field
(DiMaggio & Powell, 1983)
Passively responding
1948
1977
1991
2017
Seminal article on old institutionalism (Selznick, 1948)
Seminal article on organizational responses (Oliver, 1991)
Seminal article initializing "new institutionalism" (Meyer and Rowan, 1977)
Favorable institutional environments
Only institutional maintenance required

Figure 2: Simplified illustration of institutional concepts and organizational knowledgeable responses


Organizational field / Acquiescence
organizational field
institutional pressure
organization
Institutional multiplicity / Reactive organizational knowledgeable responses
organizational field
organizational field
organizational field
institutional pressure
organization
reactive organizational knowledgeable response
Embedded agency / Organizations proactively developing institutions
organizational field
organizational field
organizational field
institutional pressure
organization
proactive organizational action
Institutional voids / Organizations filling institutional voids
organizational field
organizational field
organizational field
organization
developmental organizational action

Tables

Table 1: Linking types of institutions and types of passive responses

Type of institution	**Type of isomorphism**	**Reason for conforming**	**Acquiescence response**
Normative	Normative	Follow rationalized myth	Habit
Regulatory	Coercive	Gain legitimacy	Compliance
Cognitive	Mimetic	Avoid uncertainty	Imitation

Table 2: Reactive responses to institutional pressures

Reactive response	**Other terms**	**Activities**	**Reasoning / benefit**	**Examples from literature**
Ceremonial adoption	▪ symbolic adoption (Kostova & Roth, 2002) ▪ decoupling (e.g. Okhmatovskiy & David, 2012) ▪ surface isomorphism (Greenwood *et al.*, 2013)	▪ meet some demands by action, and others 'by talk' (Boxenbaum & Jonsson, 2013) ▪ claim to comply with a practice while in reality not implementing it (Boxenbaum & Jonsson, 2013) ▪ decoupling appearance from the technical core (Thornton & Ocasio, 2013; Greenwood *et al.*, 2013)	▪ simultaneously achieve legitimacy and secure efficiency and profitability (Deephouse & Suchman, 2013; Boxenbaum & Jonsson, 2013). ▪ solve identity conflicts by presenting themselves differently to different stakeholders (Kraatz & Block, 2013; Zajac & Westphal, 2004)	▪ decoupling in the adoption of stock repurchase programs (Westphal & Zajac, 2004) ▪ ceremonial adoption of a shareholder value orientation (Fiss & Zajac, 2004)
Avoidance	▪ circumvention (Regnér & Edman, 2014) ▪ jurisdiction shopping / jurisdictional arbitrage (Ahuja & Yayavaram, 2011)	▪ exiting the affected geographical location (Ahuja & Yayavatam, 2011; Child & Tsai, 2005) ▪ exiting the affected industry (Oliver, 1991)	▪ exit the domain in which the institutional pressure is exerted (Pache & Santos, 2010; Oliver, 1991; Kraatz & Block, 2013) ▪ escaping the conditions that necessitate conformity (Oliver, 1991).	▪ firms positioning themselves in the assurance industry in order to avoid institutional pressures specifically designed for banks (Ahuja & Yayavaram, 2011)

Compromise	-	▪ initiate negotiations with multiple institutional entities (Pache & Santos, 2010; Oliver, 1991) ▪ balance all competing expectations (Pache & Santos, 2010) ▪ devote energies to appeasing resisted institutional source (Oliver, 1991)	▪ achieve parity between all relevant stakeholders as well as internal interests (Oliver, 1991) ▪ solve institutional tensions by cooperative approach (Kraatz & Block, 2013)	▪ organizing a consulting firm into two distinct business units to reach compromise between different institutional pressures (Pache & Santos, 2013)
Ignorance	-	▪ organizations might actively decide to ignore institutional pressures within a weak institutional environment (Cantwell *et al.*, 2010) ▪ explicit rejection of an institutional demand (Pache & Santos, 2010) when the organization disagrees with the objectives of the institution that exerts the pressure (Boxenbaum & Jonsson, 2013)	▪ when the likelihood of 'getting caught' is low (Oliver, 1991) due to political instability, poor regulation, deficient enforcement, and lack of accountability ▪ when organization is faced with extraordinarily beneficial role expectations ▪ when the dependence on that institution's approval and support is low (Oliver, 1991)	▪ foreign banks in Japan were much less than local banks faced with the expectation to stick to traditionally legitimated practices. Hence, not being at the center of institutional interest and monitoring, they were able to ignore existing institutional pressures without incurring any negative consequences (Regnér & Edman, 2014)

Table 3: Field-level conditions enabling institutional entrepreneurship

Field-level condition	**Explanation**
High degree of institutional heterogeneity	The more contradictions institutional entrepreneurs encounter, the more change they envision (Seo & Creed, 2002; Greenwood & Suddaby, 2006)
Low degree of institutionalization	Established norms and practices are either absent (Maguire *et al.*, 2004) or have not yet gained deep-rooted and stable legitimacy (Henisz & Zelner, 2005)
Disruptions	Social upheaval, new technologies, economic crisis, or regulatory changes (Battilana *et al.*, 2009; Hardy & Maguire, 2013) end ‘what has become locked in by institutional inertia’ (Hoffman, 1999: p. 353)

Table 4: Personal or organizational characteristics enabling institutional entrepreneurship

Characteristic	**Explanation**
Peripheral position in the organizational field	▪ less awareness of and less embeddedness in institutional norms and practices (Battilana, 2006; Hardy & Maguire, 2013) ▪ higher likelihood of being exposed to alternative institutional arrangements (Hardy & Maguire, 2013) ▪ less privileges given by prevailing institutions (Battilana, 2006) ▪ higher encouragement regarding institutional modifications (Lawrence, 1999) ▪ lack of power and resources to implement institutional change (Garud *et al.*, 2007)
Central position in the organizational field	▪ sufficient resources and power to innovate (Garud *et al.*, 2007; Battilana, 2006) ▪ missing incentives to engage in change (Garud *et al.*, 2007; Battilana, 2006) ▪ tendency to benefit from the current institutional setup (Hardy & Maguire, 2013)
Others	▪ Reflexivity (Beckert, 1999; Seo & Creed, 2002) ▪ Superior political and social skills (Hardy & Maguire, 2013) ▪ Immigrant background (Kraatz & Moore, 2002) ▪ Reputation, social status and legitimacy (Battilana, 2006) ▪ Experience with previous institutional entrepreneurship initiatives (Regnér & Edman, 2014)

Table 5: Key activities of institutional entrepreneurs

Entrepreneurial approach	**Key activities**
Spotting opportunities	▪ disembed from the existing institutional framework (Beckert, 1999) ▪ actively reflect on and challenge existing rules and practices (Pacheco *et al.*, 2010) ▪ envisioning alternative institutional arrangements (Emirbayer & Mische, 1998)
Mobilizing resources	▪ mobilize material / financial resources (Lawrence & Suddaby, 2006; Battilana *et al.*, 2009) ▪ acquire intangible resources like information and know-how (Dorado, 2005; Hardy & Maguire, 2013) ▪ build on social resources like positional, political, or reputational assets (Battilana *et al.*, 2009; Mair & Martí, 2009) ▪ use networks to enhance access to diverse tangible and intangible resources (Mair & Martí, 2009; Stam & Elfring, 2008)
Collaborating	▪ offer incentives to potential allies (Pacheco *et al.*, 2010) ▪ apply sanctions to silence potential opponents (Hardy & Maguire, 2013) ▪ initiate partnerships to enhance the available resource base (Stam & Elfring, 2008) ▪ build trust to lessen the risk of being considered illegitimate or being opposed (Greenwood *et al.*, 2002)
Discoursing	▪ use of symbolic language, storytelling, analogies, and framing (Zilber, 2007; Lounsbury *et al.*, 2003; Benford & Snow, 2000) ▪ explain causes, assign blame, and provide solutions (Garud *et al.*, 2007) ▪ depict preferred institutional change as appealing to others ▪ discredit existing institutional arrangements (Henisz & Zelner, 2005)