

1-1-2014

# Institutional Complexity and the Authenticity of Corporate Social Responsibility Initiatives

Paul F. Skilton

Jill M. Purdy

*University of Washington Tacoma*, [jpurdy@uw.edu](mailto:jpurdy@uw.edu)

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## Recommended Citation

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**Institutional Complexity and the  
Authenticity of Corporate Social Responsibility Initiatives**

**Paul F. Skilton**

Washington State University Tri-Cities

**Jill M. Purdy**

University of Washington Tacoma

Presented at the 2014 Academy of Management Annual Meeting

May be cited as:

Skilton, P. F., & Purdy, J. M. (2014). Institutional complexity and the authenticity of corporate social responsibility initiatives. **Academy of Management Proceedings**, 2014(1), 12509. <https://doi.org/10.5465/AMBPP.2014.137>

## **Abstract**

Stakeholders frequently regard CSR initiatives as inauthentic gestures even when the corporation is trying to behave responsibly. In this study we develop theory about which initiatives are likely to be viewed as authentic or not by which observers, when and why. We draw on concepts of authenticity from marketing and prior work on CSR, and on theories of institutional pluralism as the basis for our propositions. We propose that different institutional logics value different criteria for assessing authenticity, and develop a model to explain how level of agreement on these criteria comes about and leads to varying outcomes in terms of perceived authenticity.

**Keywords:** corporate social responsibility; institutional complexity; authenticity; stakeholders

## **Introduction**

The nominal goal of most corporate social responsibility (CSR) initiatives is to help corporations achieve sustained competitive advantage by attracting and retaining support for the corporation from consumers and other stakeholders (Devinney, 2009; Jones 1999; Marquis, Glynn and Davis 2007; Porter & Kramer 2006; 2011, Waddock, 2008). CSR initiatives often involve activities and goals, such as philanthropy, community development, environmental conservation or social justice, that appear to be at odds with the corporate goal of maximizing financial returns (van Marrewijk, 2003). These actions may even appear to prioritize the well-being of society over competitive strategy or the creation of value for shareholders (Devinney, 2009; Friedman 1962). Despite these concerns, more corporations are engaging in CSR activities and launching initiatives to benefit society, the environment and diverse sets of stakeholders (UN Global Compact, 2013). This trend suggests that CSR has become a taken for granted element of corporate behavior.

The reality is that while the legitimacy of this trend is seldom questioned by corporate executives (Liedtka, 2008; Porter & Kramer, 2006, 2011), CSR initiatives are frequently challenged by other stakeholders who view these programs as window dressing or greenwashing (Beckman et al., 2009; Clarkson, 1995; Classen & Roloff, 2012; Delmas & Burbano, 2011; Ewing, Allen & Ewing, 2012; Jones 1999; Perez-Batres et al., 2012; Parguel, Benoît-Moreau & Larceneux, 2011). Corporate social responsibility initiatives may sometimes reinforce or create negative perceptions of the corporation even when the corporation is apparently doing right. To overcome this problem, scholars and managers need to understand which initiatives are likely to be resisted by which stakeholders, when and why.

How negative the reception of a CSR initiative is often depends on whether stakeholders view the initiative as authentic or not (Grayson & Martinec, 2004; Liedtka, 2008). An object, action or claim is perceived as authentic and therefore as real, genuine or

true, when it is judged as worthy of acceptance or belief as conforming to or based on fact (Merriam Webster On-line, 2013). An authentic object is what it is said to be. Authenticity has become a widely used concept in the marketing and business ethics literatures, where it is used to evaluate the reception of brands (Grayson & Martinec, 2004; McShane & Cunningham, 2012;) and CSR initiatives (Bingham et al., 2011; Classen & Roloff, 2012; Delmas & Burbano, 2011; Ewing, Allen & Ewing, 2012; Perez-Batres et al., 2012).

A major difficulty with the current approach to authenticity is the absence of a discussion of the social construction of beliefs and facts. Most authenticity work seems to make the simplifying assumptions that either facts are independent of belief systems or that only one belief system operates. These assumptions seem out of place in CSR research, given that scholars have recognized significant conflict within corporations between the profit maximization expectations logic of shareholders (Friedman 1962), the corporate manager's hierarchical approach (Devinney, 2009; Porter & Kramer, 2006, 2011), and the ethical and community interests often found among employees (Liedtka, 2008; McShane & Cunningham, 2012). If authenticity is to be a truly useful concept we need a theoretical lens that is descriptive of multiple worldviews and the conflicts and agreements between them.

The 'logics' approach to institutional theory provides such a lens. Thornton, Jones and Kury (2005) define institutional logics as "... organizing principles [that] spell out the vocabularies of motive, the logics of action, and the senses of self for ... participants (Friedland & Alford, 1991). They reveal the deeply held and often unexamined assumptions by which reasoning takes place (p. 128)." Within this stream of theory, pluralism (Thornton, Ocasio & Lounsbury 2012) is the idea that multiple institutional logics co-exist and that actors use them to make sense of the world as they move from context to context (Besharov and Smith 2013; Friedland & Alford, 1991; Greenwood et al., 2011; Pache and Santos 2013; Thornton, Jones & Kury, 2005). Pluralism is a useful lens because it embraces the idea that

institutions and the belief systems that surround them are much more complex and malleable than earlier views portrayed them. Pluralism has implications for authenticity because it means that when observers use different institutional logics, corporate actors may make claims for their CSR initiatives that are wholly or partially incompatible with the values, beliefs and norms of observers. If managers fail to understand stakeholder logics they run the risk of having their CSR initiatives rejected. The final piece required to resolve the problem of authenticity is theory that explains how judgments are made regarding the conformity of CSR initiatives with the expectations and norms imbedded in a logic. This is a gap that the marketing literature has begun to fill by distinguishing between qualitatively different types of authenticity.

Our research question is: How does institutional pluralism influence which CSR initiatives are likely to be viewed as more or less authentic by which stakeholders and when? We try to answer this question by discussing the relevant literatures, drawing connections between them and synthesizing a general integrative model. As such this is a work of descriptive conceptual theory building rather than an attempt at empirical validation.

### **Literature Review**

The history of corporate behavior over the last century provides some justification for the belief that corporations, more than other actors, need to work at being socially responsible. Large, publicly traded multinational corporations control an undue proportion of resources worldwide (Hawken 1993; Matten & Moon 2008; UN Global Compact, 2013). When managed to achieve shareholder and executive wealth maximization, corporations have frequently been seen as having negative effects on society. Corporate social responsibility is the idea that "...corporations receive a social sanction from society that requires that they, in return, contribute to the growth and development of that society (Devinney, 2009, p. 44)." What form that contribution should take is the basis for Friedman's (1962) critique of

corporate philanthropy. Friedman argues that management has a strict fiduciary duty based to create shareholder wealth. He asserts that if shareholders want to be philanthropic, they can use returns from investments in corporations in ways that benefit society. The flaw in Friedman's critique is that it does not address the indirect, reputational or time-lagged costs to the corporation and society that arise when management decisions focus on profit.

Increased awareness of corporations' impact on society and the environment has changed societal beliefs about the obligations of corporations in two ways. First, cash is now seen as just one of many resources that corporations can leverage to benefit society through corporate social action (Marquis, Glynn & Davis, 2007). Corporate voluntarism (Pajo & Lee, 2011; Yim & Fock, 2013) is an example of corporate responses to this belief, as employers involve their employees in CSR initiatives that are intended to benefit communities and simultaneously increase employee satisfaction and retention. Second, societies are concerned about the actions that corporations take in the course of normal business activities, not just ancillary activities that address social or environmental concerns (UN Global Compact, 2013). The ubiquity of social and sustainability reporting among large corporations indicates that institutional norms and expectations play an important role in shaping both the CSR initiatives and the operational practices of corporations because they strongly influence how these actions are perceived and evaluated. Porter and Kramer (2006, 2011) focus on this belief as they argue for the alignment of CSR initiatives with corporate strategy.

It is useful to specify what we mean by stakeholders. We define stakeholders to a corporation as the organizations, individuals and constituencies that have the capability to influence or be influenced by corporate action (Freeman 1984; Marquis, Glynn & Davis, 2007). In this study we are not concerned so much with what makes different stakeholders salient (Mitchell, Agle & Wood, 1997) as we are with developing theory to explain differential stakeholder responses to corporate actions that reflect different ways of

evaluating CSR initiatives (Jensen, 2002). This raises the question of whether priorities within stakeholder groups should be conceived of as homogenous (Wolfe & Putler, 2002). We draw on theories of institutional pluralism and authenticity to develop a model of how stakeholder observers evaluate CSR initiatives and conclude that while priorities within stakeholder groups may often be relatively homogenous, circumstances where they are not can be explained by examining the structure of pluralism within fields.

### **Institutional pluralism**

Scholars have proposed seven archetypal sectoral logics common to many societies: markets, corporations, professions, states, families, religions and communities (Thornton, Jones and Kury 2005; Thornton, Ocasio and Lounsbury 2012), as shown in Table 1. The logics associated with each sector depend on their own institutions, define identity their own ways and have their own values, norms, goals and means. For example corporate, state, family and religion based logics all value position within hierarchies as a key to identity. Profit is a valued outcome in several logics but these logics may offer competing prescriptions about the priority between individual and communal interests in profit seeking. When logics are compatible, actors and observers may agree superficially and take it for granted that agreement is at depth (Weick, 1979). Although these sectoral logics can be identified in many settings, it is worthwhile to remind the reader that different instantiations of these logics will vary in specific contexts. The sectoral framework is useful in the present study because it provides a simple way to illustrate differences between logics and the socially constructed schemata that observers use to make judgments.

INSERT TABLE 1 ABOUT HERE

Greenwood et al. (2011) argue, following Goodrick and Salancik (1996), that how rigid the prescriptions of a logic are depends on the specificity with which goals and means are prescribed by it. Less specific prescriptions allow for greater discretion concerning which goals and means are accepted as legitimate. Goals/means specificity determines discretion



within an institutional logic, where discretion is defined as the level of freedom an actor has to choose which prescriptions concerning goals and means will be complied with. The level of discretion within an institutional logic is greater when it fails to define norms, goals and means for some contexts or accepts multiple norms, goals and means as legitimate. This suggests that how locked into multiple logics an actor is depends on the level of discretion in each logic. If norms, goals and means are not tightly specified by the relevant logics, the actor has discretion to choose which logic applies (Tracey, Phillips and Jarvis, 2011).

Although Wolfe and Putler (2002) raise the question of the homogeneity of priorities within stakeholder groups, it is also important to ask about the homogeneity of priorities within observers. There is some evidence that individuals shift from logic to logic as they move between contexts (Pache and Santos 2013). Weick (1979) calls context based sensemaking ‘partial inclusion’ and argues that it is important because groups and organizations are structured by shared, interlocking behaviors rather than by the attachment of individuals to each other. Individuals belong to many groups and contexts, and apply different logics as they move between them (March 1994). Where an actor is situated may change the guiding logic the actor uses to make sense of the world and the stakeholder groups he or she identifies with. Weick implies that this is more or less a one to one relation – that a single logic guides action and identity at any time. This allows the actor to avoid cognitive dissonance and inconsistent behavior in the present and within each context over time.

In contrast, studies of institutional entrepreneurship have shown that individuals and organizations borrow, reconfigure and transpose norms, goals and means between logics as they work to change institutions (Battilana and Boxenbaum, 2005; Tracey, Phillips & Jarvis, 2011). Besharov and Smith (2013) propose that multiple logics can be simultaneously central to fields, organizations and individuals. While polycentrism seems reasonable, especially if an observer is governed by equally powerful but compatible logics, internal conflict is likely

to result if the logics in question are incompatible. How a conflicted observer would make a judgment about a CSR initiative would depend on the relative importance of the logics, the consequences to the observer of the initiative and the level of discretion the observer had in choosing between the logics in question.

### **Authenticity, legitimacy and CSR**

There are competing definitions of authenticity. As a number of reviews of this literature have concluded, authenticity is generally conceptualized in one of two ways (Bingham et al., 2011; Classen & Roloff, 2012; Cording, Harrison, Hoskisson & Jonssen, 2013; Delmas & Burbano, 2011; Ewing, Allen & Ewing, 2012; Grayson & Martinec, 2004; Kovács, Carroll & Lehman, 2013; Liedtka, 2008; Perez-Batres et al., 2012; Yim & Fock, 2013). One take on authentic behavior can be characterized as perceptions that an actor is being true to itself (Liedtka, 2008), while the second take is characterized as comparison to a socially constructed standard (McShane and Cunningham, 2102). The first approach emphasizes perceptions of fit between actions and the unique identity of the actor or object, while the second emphasizes conformity to rules associated with a role, category, or some other socially constructed schema.

In terms of CSR, an observer concerned with the genuineness of an action would ask whether a particular initiative is consistent with the corporation's perceived identity as expressed in its current and past behavior, viewed through the lens of the observer's logic. An observer concerned with comparison to a socially constructed standard might ask whether the initiative met what the observer felt was an appropriate standard for a corporate actor in the situation. These judgments could clearly lead to composite perceptions of authenticity – an initiative could be true to identity but fail to fit with socially constructed standards, or fit with socially constructed standards while being inconsistent with the identity indicated by a

corporation's past or current actions. Since there is no reason to suppose that observers make only one kind of judgment, it is clear that authenticity can be a complex composite.

This resonates with the idea, based in the semiotics of Pierce (1955), that perceived authenticity is not an all or nothing judgment (Grayson & Martinec, 2004; Kovács, Carroll & Lehman, 2013). Pierce (1955) draws a distinction between two kinds of signs, indices and icons. An index is a sign that puts the interpreter in dynamical contact with the object signified, and thus connects to the object's unique identity. Grayson and Martinec (2004) define indexical authenticity as the judgment that an object has a factual or spatiotemporal link to something else that signifies that the object is original or genuine. A plumb-bob is an index because it links the observer to the unique identity of the vertical dimension. An artist's signature and date on a painting create indexical authenticity by confirming the unique identity of the painting. Provenance established through an unbroken chain of custody or documentation creates formal indexical authenticity used to uniquely identify objects used as evidence in judicial processes.

Organizations have frequently been argued to have unique identities (Albert and Whetten, 1985; Hsu and Elsbach, 2014; Liedtka, 2008; McShane and Cunningham, 2102; Smith, 2011). While some critics have proposed that this is a fallacy (Martin, Feldman, Hatch & Sitkin, 1983), a wide variety of research has shown that stakeholders, particularly internal stakeholders, perceive organizations as enacting idiosyncratic patterns of behavior that are attributed to unique organizational identities. In institutional theory the extent to which a perceived identity deviates from the norms associated with an assigned role makes identity unique and determines the extent to which the organization is regarded as a legitimate actor (DiMaggio and Powell, 1983; Scott, 2001; Smith, 2011). As shown in Table 1, each logic has its own basis for assigning identity including a system of legitimate roles actors can occupy (March 1994). We conceptualize perceived identity as the extent to which the past and

present behavior of the corporation deviates from the standards associated with the role the observer expects the corporation to fulfill. What the baseline role is depends on the logic the observer uses to understand the world. The issue is not whether identities are truly unique, but that observers see them as such and develop expectations about the kinds of behavior that are consistent with this identity in a given situation (March, 1994).

When scholars have examined perceptions of corporate objects such as a strategy (Liedtka, 2008), brand extension (Spiggle, Nguyen & Caravella, 2012) or organizational identity (Beckman, Colwell & Cunningham, 2009; Ewing, Allen & Ewing, 2012; Hsu and Elsbach, 2014; McShane & Cunningham, 2012; Smith, 2011) they have relied on the observer's experience to assess conformity of the action with the unique identity of the actor as expressed in its past and current practice. Scholars have observed that perceived consistency between social responsibility initiatives and employee perceptions of corporate identity tends to increase employee participation in those initiatives (Cording et al., 2013; Liedtka, 2008; Yim & Fock, 2013) in part because it leads employees to perceive the corporate action as indexically authentic (McShane & Cunningham, 2012). The issue for indexical authenticity is not what any corporation should do, but what *this* corporation does, and whether that is consistent with its past and current behavior, given the current situation. Because past and current behaviors are driven by partly by compliance with socially constructed norms, identity fits neatly into the idea of institutional logics and appropriateness (March 1994; Thornton et al., 2012). While we normally think of corporations as adhering to the corporate logic of managerial capitalism, some corporations adopt different logics. Although Patagonia, the outdoor clothing company, and Zingerman's, the Ann Arbor food and consulting company, have established community driven identities that mark them as almost anti-corporate (Conlin, 2014; Kasperkevic, 2014). Family owned firms are often seen as fundamentally different from widely held firms (Bingham et al. 2011).

The second kind of sign is an icon. Pierce (1955) defines icons as signs that link objects to interpreters through similarity. Iconic authenticity involves what Ewing, Allen and Ewing (2012) call schematic fit – the object mostly corresponds to the elements of a socially constructed, shared schema. Iconic authenticity is what we recognize when we say that an object ‘in the style of’ is an authentic reproduction of an original. Something that is iconically authentic is a substitute in some way – it has appropriate features, stands in an appropriate relation to some reference or looks like it belongs. Kovács, Carroll and Lehman (2013) study iconic authenticity when they ask survey respondents how well a restaurant conforms to schemata for judging the quality of restaurants. They ask about such things as whether it matters if the menu is unique, or if the business is family owned, or whether it is part of a franchise or chain and so on. These questions allow the researchers to position examples of restaurants on an iconic authenticity, but it is also worth noting that the perceived unique identity of a restaurant could be determined by the same factors, suggesting that identity and schemata are related (March, 1994; Greenwood et al., 2011; Thornton et al. 2012)

Students of institutional theory will recognize that perceptions of iconic authenticity are related to the concept of legitimacy, and that perceptions of legitimacy depend on the position of the observer. Actions that conform to the prescriptions of an institutional logic grant actors (individuals or organizations) legitimacy in the form of acceptance by actors who are also guided by the logic (DiMaggio & Powell, 1983; Matten & Moon, 2008; Suchman, 1995). While some disagreement exists about the meaning of legitimacy (Deephouse & Suchman, 2008), we adopt Suchman’s definition: ‘Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (1995: 574). Legitimacy signals agreement that the actor is behaving in ways consistent with the observer’s logic. Because legitimacy is achieved through comparison of perceived behavior

to a socially constructed schema, legitimacy judgments are fundamental to perceptions of iconic authenticity.

Perceptions of indexical authenticity and iconic authenticity arise from judgments about different aspects of the same objects. Indexical authenticity is the result of an observer's judgment about whether a claim about an action links to the unique identity of the actor. A claim that a particular CSR initiative represents disinterested social action can be tested against a corporation's unique identity as expressed in an observer's perceptions of its past and present behavior. Iconic authenticity is linked to legitimacy judgments that ask whether an initiative is perceived as similar to an appropriate prototype, schema or standard. These judgments contribute to complex perceptions of authenticity. An initiative that is regarded as indexically inauthentic because it is not consistent with the observer's perceptions of the corporation's unique identity may be perceived as iconically authentic by the same observer because it is a legitimate action for a corporation to pursue.

It seems obvious that observers who operate within different institutional logics may arrive at different perceptions of the authenticity of CSR initiatives. Adherents of competing institutional logics may take it for granted that incompatible standards should be used to judge authenticity. For example there are different formal standards for judging the authenticity of corporate social missions based on different views of corporations. "Social benefit" or "B" corporations assign themselves social missions in addition to serving shareholder interests (Hiller, 2013), while the UN Global Compact framework (United Nations 2013) calls on corporations to adopt ten principles that do not consider shareholder interests at all. Which standard is applied depends on the observer's position, which in turn suggests that agreement about authenticity will be more likely if the goals and means of the CSR initiative are appropriate to the observer's guiding logic. Appropriateness should matter for both indexical and iconic authenticity judgments.

## **Theory Development**

Our review of the literature allows us to develop a framework for the many possible ways an observer could arrive at the judgment that a CSR initiative is authentic. Since this is a problem of perception, the framework needs to specify which actor performs an initiative, which observer is making the authenticity judgment, which institutional logics are involved in the actor-initiative-observer triad, and whether the CSR initiative is appropriate to the observer's guiding logic. Stakeholder theory and institutional pluralism provide means for distinguishing between types of actors and observers in terms of the institutional logic each type is generally thought to adhere to. Institutional pluralism helps us understand archetypal differences between logics and the degree of discretion in observer logics. These determine the level of agreement between actor and observer on fit with identity and appropriateness given the observer's position and hence whether an initiative is perceived as indexically authentic, iconically authentic or inauthentic. This perception in turn influences how strongly the observer supports or resists the initiative.

INSERT FIGURE 1 ABOUT HERE.

Figure 1 assembles these constructs into the theoretical model that guides the remainder of this study. This model is based on several assumptions. The first is that the actor is a corporation that is engaged in a CSR initiative that it claims serves economic, social or environmental ends important to its stakeholders. The observer is assumed to be a stakeholder of the corporation and can be an individual or collective entity. The appropriateness of an initiative within observer logics depends on the fit between initiative's goals and means and the observer's logic. Observers can perceive an organization's identity as unique or as conforming to the socially constructed behavioral norms prescribed by the observer's logic. The level of discretion in the observer's logic depends on the specificity with which goals are prescribed by the observer's guiding logic (Greenwood et al. 2011). As shown in the figure, discretion does not have a direct effect on authenticity judgments, since discretion implies

that the observer is free to challenge or support the initiative. Greater discretion decreases the likelihood that we can predict the observer's reaction, because he/she is able to draw upon competing logics. Whether discretion matters depends on whether the observer benefits or suffers from the initiative. We assume that when the observer benefits, discretion will make it more likely that the observer will accept the goals of the corporate logic in order to justify the benefit it receives. In the absence of discretion, even an observer who benefits may be constrained from acting in a self-serving way.

The appropriateness of an initiative's goals and means within the observer's logic is an important driver of the observer's judgment about the iconic authenticity of the CSR initiative. Appropriateness is conceptually a continuum with a negative anchor in the state where observer logics prescribe goals and means that are at odds with the initiative and a positive anchor in the state where the initiative's goals and means are viewed as appropriate.

The McDonalds Corporation has developed socially responsible menu initiatives designed to promote healthy nutrition (salads, fruit) as part of the corporate goal of aligning its strategic actions with the good of the community (Porter and Kramer 2011). These initiatives receive a disproportionate share of promotion efforts but sell poorly and are disparaged by many commentators (Patton, 2013). While it is true that the idea of eating fresh food is spreading among consumers, this nutrition goal is not consistent with the market based logic consumers are guided by when they buy fast food from McDonalds. Resistance by franchisees suggests that the fresh food goal is also viewed as inappropriate by internal stakeholders well. In contrast, this initiative is regarded as iconically authentic by food science professionals who view it as an appropriate move toward better nutrition and simultaneously object to it as being too limited and inconsistent with the McDonalds menu.

Perez-Batres and his co-authors (2012) discuss the difference between symbolic or substantive CSR initiatives. It is important to realize that nominal/symbolic commitment to



goals and means is not enough to establish appropriateness. Commitments must be substantive to be credible. The CSR literature has widely recognized that actions that resemble peer initiatives but require little commitment from the corporation are frequently claimed as socially responsible by adherents of the corporate logic (van Marrewijk, 2003) but rejected by observers. When observers are willing to accept initiatives that make substantive commitments but are offered only symbolic action, the initiative is likely to be viewed as iconically inauthentic. Claiming social responsibility without substantive commitment is called greenwashing (Delmas & Burbano, 2011; Parguel, Benoît-Moreau & Larceneux, 2011) and will be regarded as inauthentic if and when it is discovered.

When CSR initiatives are viewed as substantive and as having appropriate goals and means the likely outcome is that the CSR initiative is accepted as iconically authentic. When commitments are symbolic or goals and means are viewed as inappropriate, the likely outcome is that the initiative will be assessed as iconically inauthentic.

*Proposition 1: The appropriateness of the goals and means of CSR initiative within observer logics will be positively related to iconic authenticity judgments.*

Observer self-interest, which fits with a logic of consequence, is a necessary element of our theory. While it does not play a major role in institutional pluralism or authenticity theory, it is critical to stakeholder theory (Devinney, 2009). Even when observers adhere to a logic that would ordinarily challenge a CSR initiative, benefiting from the initiative will make them more likely to view it as iconically authentic in some degree. For example, researchers whose work is funded as part of a CSR initiative would have a difficult time arguing that the initiative is authentic even if the outcomes claimed for the initiative had no basis in science. Likewise, observers who are harmed by an initiative would have a difficult time assessing it as iconically authentic even when the goals and means of the initiative have a high degree of schematic fit with the prescriptions of the observer's logic.

*Proposition 2: Iconic authenticity judgments will be positively related to the extent to which the observer benefits from that initiative.*

Observer discretion partly depends on the specificity with which the observer's logic prescribes (or proscribes) goals. Some logics are relatively loose in terms of the means they prescribe, but very rigid with respect to goals. The shareholder take on market capitalism prescribes profit as its goal, but is highly ambiguous as to the means it allows for. Other logics may be rigid with respect to means but accepting of a variety of goals. The logic of professionalism among scientists dictates rigor in the means scientists use, but is accepting of a variety of goals beyond discovery. These can include social benefits, profit, or personal status. Religious logic may narrowly prescribe both means and goals (Friedland 2001) while community logic may be ambiguous with respect to both (Thornton, Ocasio & Lounsbury 2012). Discretion also depends on how tightly the observer adheres to a single guiding logic in a given context. When several logics are central (Besharov and Smith, 2013) or when logics have been hybridized (Battilana and Dorado, 2011) the observer can choose which logic to apply. Discretion gives the observer freedom to choose which goals should be used to assess an initiative.

When discretion is limited or absent, compatibility will be the primary driver of agreement between corporation and observer on which criteria will be used to assess authenticity. As discretion increases, the observer has choices. Discretion makes it possible accept or reject the goals the actor's logic proposes. To determine which occurs it is necessary to relate observer discretion to the benefits (or harms) the observer expects from the initiative in question. Discretion should make observers more likely to accept corporate goals when the observer benefits, and to reject them when the observer is harmed.

*Proposition 3: Observer discretion will positively moderate the relationship between the extent to which the observer benefits from an initiative and iconic authenticity judgments.*

The upper part of Figure 1 is concerned with judgments about indexical authenticity of CSR initiatives. These are judgments concerning whether or not the initiative is ‘true’ to or consistent with of the unique identity of the organization. This is distinct from the schematic fit with the observer’s logic that characterizes iconic authenticity because it depends on linking the initiative to what the observer regards as the unique identity of the corporation. In our model this perception is more likely when the goals and means of the CSR initiatives are viewed appropriate within the observer’s guiding logic. This relationship depends on and is moderated by how unique the observer perceives corporate identity to be.

If the observer sees the corporation as ‘just another’ corporation, indexical authenticity is similar to iconic authenticity. As perceived identity deviates from standards for the role, the question of how appropriate the initiative is within the observer’s logic become less important for judging indexical authenticity. We assume that stakeholders develop perceptions of corporate identity based on their own guiding logic (Liedtka, 2008; March 1994; Marquis, Glynn and Davis, 2007; McShane and Cunningham, 2012). Stakeholders who are guided by family or community logics should assign a different role to corporate actors (Bingham et al. 2011) than stakeholders who are guided by a market or community logic. In a recent decision the United States Supreme Court ruled that some corporations share religious rights with individuals, suggesting that the justices view corporate identity from within a state based citizenship logic. Seen from within a community or state logic, a corporation could be identified more as a good or bad community member than as an economic entity whose profit goals are paramount. The observer’s guiding logic thus plays an important role in the construction of perceived identity (Thornton et al., 2012).

One of the difficulties of an approach to authenticity based on perceptions of corporate identity is that not all stakeholders have sufficient knowledge of a corporation's actions and claims, now and in the past, to perceive a unique identity. Employees and managers (Liedtka, 2008; McShane and Cunningham, 2012) have direct experience with the corporations that employ them, and suppliers or customers may have almost equally strong relationships. McShane and Cunningham (2012) studied employee responses to CSR initiatives. They propose that "employees' authenticity judgments... are informed by the extent to which the organization's image, as presented by the CSR program, is a reflection of its true identity (p 96)." Communities, interest groups and other more remote stakeholders may come into contact with a CSR initiative with essentially no knowledge of the corporation other than its legal status. In the absence of attention it is therefore possible and even likely that some stakeholders will rely on their standard schemas for how a corporation should behave to construct identity and thus judgments of indexical authenticity. The strength of this relationship depends on the amount of attention that the observer gives to what the corporation does and says. Scholars have often assumed that perceptions of identity derived from active attention are more likely to be treated as genuine (Cording, Harrison, Hoskisson & Jonssen, 2013; Liedtka, 2008; Ocasio, 1996).

Different kinds of stakeholders pay different levels of attention to what corporations do. An employee or a customer has an intimate relationship with a corporation – he or she knows how the corporation's behavior deviates from the expected, and is thus in a privileged position for developing a perception the corporation's identity as unique. Stakeholders who do not have these kinds of insider relationships can also develop a strong perception of unique identity by attending to second hand reports of what corporations do, especially as compared to what they say. It is equally true that some insiders pay little attention to what corporations do and say, beyond their own immediate concerns. It is for this reason that we

argue that the uniqueness of perceived identity depends on the level of attention an observer pays to corporate behavior rather than on membership in a specific stakeholder group.

Perceiving a corporate identity as unique is unlikely to have a direct effect on whether an observer regards an initiative as indexically authentic, but it is likely to moderate the relationship between perceptions of whether an initiative is appropriate within the observer's logic and the judgment of indexical authenticity.

For example, the Monsanto Company and the Cargill Corporation are involved in a CSR initiative with the Gates Foundation to combat the epidemic of brown streak virus that has decimated cassava production across East Africa. The involvement of these firms in this project, which has shown considerable promise of technical success, has drawn negative reactions from some food science based observers and from many African adherents of the economic development and community logics (McNeil, 2010). The fact that the project draws on Monsanto's expertise in genetic modification leads some observers to believe that the project puts the genetic stock of yet another important crop at risk of being controlled by this corporation, given Monsanto's ongoing history of aggressive prosecution customers as it tries to protect its intellectual property rights. Cargill's position as the leading trader of cassava starch suggests to other observers that Cargill might be involved in the initiative to consolidate its dominant position. The observers in question view the initiative as inconsistent with Monsanto's and Cargill's identities as expressed in the corporations' current and prior behavior. They therefore see the project as an indexically inauthentic move motivated by self-interest even though the corporations try to offset this history by giving the modified genetic stock away for free and placing the intellectual property in the public domain. Their partner, the Gates Foundation, appears to views Monsanto's and Cargill's involvement in the initiative as consistent with the corporate logic's standards of socially responsible behavior, and therefore defends the initiative as iconically authentic.

Wicki and van der Kaaj (2007) report on similar problems with the perception of sustainability initiatives for Chiquita Brands. Chiquita engaged in a decade long project to improve the sustainability of its operations in tropical regions without making public claims of social responsibility. These actions were justified within the corporation as strategic and self-interested. When Chiquita began to make social responsibility claims in its branding, adherents of community, state and professional logics challenged the claims as inconsistent with the corporation's historical actions and the identity they perceived, that Chiquita was an aggressive exploiter of the environment in less developed tropical economies. Although certification of the sustainability claims by the Rainforest Alliance led some actors to accept the corporation's criteria for evaluating its claims, most observers regarded the initiative as inauthentic because it did not fit with their perception of the corporation's identity.

Stakeholder perceptions of unique identities thus constrain the role of schematic appropriateness in the construction of indexical authenticity. When identities are less unique fit between the corporation's CSR initiatives and the standards associated with the corporation's role in the observer's logic drives indexical authenticity judgments.

*Proposition 4a: The appropriateness of the goals and means of CSR initiative within observer logics will be positively related to indexical authenticity judgments.*

*Proposition 4b: Observer perceptions of corporate identity as unique will negatively moderate the relationship between the appropriateness of the goals and means of CSR initiative within observer logics and indexical authenticity judgments.*

Finally, the combination of iconic and indexical authenticity judgments determines the degree of support or resistance the observer enacts toward the initiative. Figure 2 illustrates the variety of combinations that we can expect from the various combinations. When an initiative is viewed as indexically and iconically inauthentic, (or when no indexical judgment is made and the initiative is seen iconically inauthentic), resistance will be strong.

When an initiative is viewed as indexically and iconically authentic, support will be strong. We suspect that support will be less strong when no indexical judgment is made because this absence suggests that the observer is not a highly interested stakeholder.

#### INSERT FIGURE 2 ABOUT HERE

The mixed states indicated by the upper left and lower right quadrants of Figure 2 represent dilemmas for the observer. When an initiative is judged to be indexically authentic but not iconically authentic, the implication is that the corporation is being true to itself, but not to other corporations as seen from the observer's position. This occurs when the corporation is seen as an outlier whose identity leads it to behave in anti-corporate (but beneficial from the observer's point of view) ways. Unilever and its wide ranging commitment to sustainability (Finch, 2010) provide an example of this, as do the examples of Patagonia and Zingerman's. Many corporations seeking to operate with social responsibility as a priority have run into commentators whose support is qualified by their puzzlement over the corporation's apparently misplaced priorities. Observers guided by market logics and 'pure' corporate logics often have this kind of response – as if the corporation in question was making them look bad, or failing in the important goal of maximizing profit. Observers based in state, community, family and religious logics are more likely to provide support.

When an initiative is judged to be iconically authentic but not indexically authentic, observers are more likely to arrive at a judgment that the corporation is engaging in greenwashing. Doing the kinds of things other corporations do without a fundamental change in identity does not deceive most observers.

#### **Discussion and Conclusion**

This article uses theories of authenticity, institutional pluralism and compatibility to try to explain one of the puzzles of corporate social responsibility. We see in these theories the basis for a systematic explanation of the fact that observers of corporate behavior sometimes regard CSR initiatives as inauthentic window dressing. We proposed that

perceptions of authenticity are not an all or nothing outcome. Instead, judgments can treat initiatives as indexically authentic or iconically authentic or both or neither. Only the combination of indexical authenticity and iconic authenticity represents uncritical acceptance. Recognizing that authenticity judgments are composites allows us to see how nominal allies can simultaneously be dissatisfied critics. By examining the similarity of competing logics, the attention observers invest, the discretion observers have in choosing criteria and the impacts of observer self-interest, we can gain a better idea of when observers will accept the goals of CDR initiatives, and thus understand which initiatives will be perceived as which kind of authentic by which observers and why.

Although we have not focused on the ethical concerns our theory raises we recognize that they exist. Pluralism and applying a logic of appropriateness appear to imply a relativist view, but we are not willing to accept that label. Our point in raising the question of authenticity is precisely the opposite – observers have norms and values and thus ethical positions that they use to judge the initiatives corporate actors put forward. We propose conditions where these ethics might be stretched (self-interest, discretion), but more importantly we recognize that corporate behavior that is consistent with the goals, means and norms valued by observers' logics and with the corporation's identity is essential to crafting CSR initiatives that stakeholders will support. Mere schematic adherence to standards of behavior that make corporations appear legitimate in their own eyes will not satisfy outside observers if indexical authenticity is absent. Likewise we think that consistently engaging in CSR initiatives that serve business level strategy (Porter & Kramer, 2006, 2011) may allow corporations to co-opt some stakeholders but will not lead most observers to view the corporation as responsible or ethical. It is laudable that Coca-Cola wants to bring clean water to those who lack it – but this initiative can only be viewed alongside the observer's truth that



this behavior is ultimately in service of the strategic goal of profit. Selling billions of servings of soda each year requires clean water for production.

How is this better than stakeholder theory? First, the ideas of pluralism and arguments about appropriateness provide a way to understand how stakeholder groups differ and how they are the same that goes beyond self-interest. These ideas also provide a way to understand which organizations are under the greatest pressure to behave authentically in their corporate social responsibility initiatives. Third these theories provide a way to assess the mix of stakeholder groups by asking how differences between logics and variations in discretion determine judgments about the authenticity of CSR work. If we add this to the interest and influence framework of Freeman (1984) the potential exists for creating a much clearer roadmap of how to manage stakeholders and their conflicts with corporate actors.

Our theory also represents an advance for institutional pluralism theory because it connects these ideas to a broad problem. Most applications of pluralism have described the contest between logics within organizations and while they succeed in depicting organizational transitions and change processes, they provide only limited insight into how institutional logics interact on a more general level.

Our theory provides a way for managers to understand which stakeholders will view which initiatives as indexically authentic, which as iconically authentic and which as inauthentic. Authenticity fits well with the emphasis institutional theory places on legitimacy, normative behavior and coercion, and thus is linked to the primary motivations that compel corporations to conform to the prescriptions of competing logics. Legitimacy seeking is a powerful motive for corporations to try to address the issues that shape institutional fields by gaining stakeholder support. Support will be driven by perceptions that corporate actions are authentic, which in turn is driven in large part by whether observers accept corporate criteria for valuing initiatives. To accomplish this, initiatives must be consistent with the

corporation's identity as expressed in its past and present behavior. These perceptions should lead to variations in response that will be formed by the roles, beliefs, structures and behaviors that characterize the observer's institutional logic.

Our theory raises some general questions for future research. One of the most overlooked aspects of the CSR literature is that it fails to explain why we should be more concerned with corporate responsibility than the social responsibility of communities, consumers, shareholders, governments, families, or religions. While it may be true that corporate actions degrade the environment and create social and economic injustice, actors from other sectors clearly go along. It is not trivial to recognize that actors who claim adherence to other sectors frequently accept symbolic, strategic criteria for evaluating not only corporate actions but their own. Perceptions of authenticity close off inquiry and thus make it easier for actors of all kinds to juggle the competing prescriptions and proscriptions of a pluralistic world.

Testing our theory within a positivist framework will present some interesting challenges. While instruments exist for evaluating observer perceptions of authenticity and perhaps observer self-interest, there do not appear to be instruments for assessing differences between institutional logics, how observers assign roles to corporate actors, observer discretion, observer attention, or observer self-interest. This theory might inform experimental work; if scholars can manipulate discretion in subjects' logics, direct tests of the theory may be achievable. We suspect our concepts may be most useful in interpretivist approaches to investigating stakeholder responses to specific CSR initiatives because they provide a framework for understanding how actors resolve the competing prescriptions and proscriptions that emerge from institutional pluralism.

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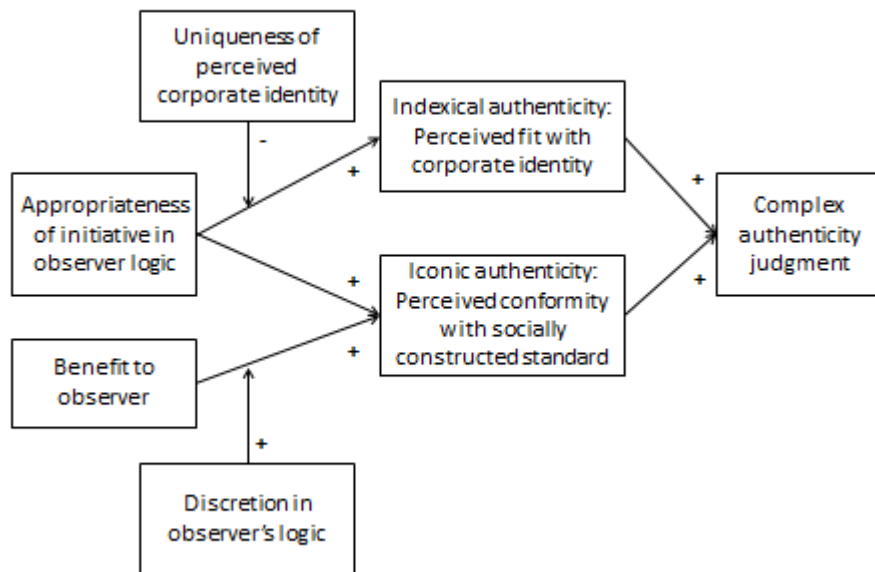
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**Figure 1: Theoretical model**



**Figure 2: Composite authenticity judgments**

Authentic	Authentic but idiosyncratic	Full support, the real deal
Indexical		
Not authentic	Reject the CSR initiative as a fake	Greenwashing: Initiative is nominally ok, but not credible given disconnect from identity
	Not authentic	Authentic
	Iconic	



**Table 1 Ideal Types of Institutional Logics**

<b>Y Axis: Categories</b>	<b>X Axis: Institutional Logics</b>						
	<b>Family</b>	<b>Community</b>	<b>Religion</b>	<b>State</b>	<b>Market</b>	<b>Profession</b>	<b>Corporation</b>
<b>Root Metaphor</b>	Family as firm	Common boundary	Temple as bank	State as redistribution mechanism	Transaction	Profession as relational network	Corporation as hierarchy
<b>Sources of Legitimacy</b>	Unconditional loyalty	Unity of will Belief in trust & reciprocity	Importance of faith & sacredness in economy & society	Democratic participation	Share price	Personal expertise	Market position of firm
<b>Sources of Authority</b>	Patriarchal domination	Commitment to community values & ideology	Priesthood Charisma	Bureaucratic participation	Shareholder activism	Professional association	Board of directors, top management
<b>Sources of Identity</b>	Family reputation	Emotional connection, Ego-satisfaction & reputation	Association with deities	Social & economic class	Faceless	Association with quality of craft Personal reputation	Bureaucratic roles
<b>Basis of Norms</b>	Members in household	Group membership	Membership in congregation	Citizenship in nation	Self-interest	Membership in guild & association	Employment in firm
<b>Basis of Attention</b>	Status in the market	Personal investment in group	Relation to supernatural	Status of interest group	Status in the market	Status in profession	Status in hierarchy
<b>Basis of Strategy</b>	Increase family honor	Increase status & honor of members & practices	Increase religious symbolism of natural events	Increase community good	Increase efficiency, profit	Increase in personal reputation	Increase size & diversification of firm
<b>Informal Control Mechanism</b>	Family politics	Visibility of actions	Worship of calling	Backroom politics	Industry analysts	Celebrity professionals	Organization culture
<b>Economics Systems</b>	Family capitalism	Cooperative capitalism	Occidental capitalism	Welfare capitalism	Market capitalism	Personal capitalism	Managerial capitalism

Adapted from Thornton et al 2012 (p.73).