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Institutional Analysis and the Paradox of Corporate Social Responsibility

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This article develops a series of causal propositions specifying the institutional conditions under which firms are likely to act in socially responsible ways, as defined by a standard of minimally acceptable corporate behavior. Little theoretical attention has been paid to understanding the causes of corporate social responsibility (CSR). By using institutional theory to explore the determinants of CSR, this article not only sheds light on a blind spot in the literature on CSR but also weds two literatures that have remained largely isolated from each other.

Keywords: *corporate social responsibility; corporate management; institutional theory; decision making*

This article explores the institutional conditions under which firms are likely to act in socially responsible ways. Corporate social responsibility (CSR) is a relatively new approach to corporate management and governance. It has been discussed widely during the past two decades (e.g., Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003; Walsh, Weber, & Margolis, 2003). However, scholars have complained that little theoretical attention has been paid to understanding why corporations act in socially responsible ways or not (Margolis & Walsh, 2003, pp. 273-278). In particular, the *institutional* conditions that influence such behavior have been neglected (Bühner, Rasheed, Rosenstein, & Yoshikawa, 1998, p. 148; Walsh et al., 2003, p. 877). By using institutional theory to analyze CSR, this article weds two literatures that heretofore have remained largely isolated from each other. In doing so, it also suggests ways in which the emergence and institutionalization of a new management practice are driven by a variety of struggles, conflicts, and negotiations involving the subtle and sometimes not so subtle exercise of power.

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The Paradox of Corporate Social Responsibility

To some people, the idea of corporations acting in socially responsible ways would seem paradoxical. If the raison d'être for corporations is to maximize profit and shareholder value as best they can, then it stands to reason that corporations will do whatever it takes to achieve this goal—perhaps even if that includes acting in socially *irresponsible* ways if they believe that they can get away with it (e.g., Stigler, 1968; Williamson, 1985). Indeed, history is replete with examples of firms acting in socially irresponsible ways, ranging from the cutthroat practices of the early robber barons in the United States to the recent scandals at Enron, WorldCom, Nike, and Parmalat, among others.

However, many corporations do *not* behave in socially irresponsible ways. In fact, some corporations go to great lengths to do just the opposite by giving to charities, supporting community activities, treating their workers and customers decently, abiding by the law, and generally maintaining standards of honesty and integrity.

All of this raises an interesting question for scholars. Given the incentives for maximizing profit and shareholder value, why would a corporation ever act in socially responsible ways, even at the most minimal level? Put in slightly different terms, given the wide range of corporate behaviors—both good and bad—noted above, under what conditions are corporations more likely to act in socially responsible ways than not?

This article seeks to answer this question by drawing on institutional analysis. There are several types of institutional analysis (e.g., Campbell, 2004, chap. 1). In brief, rational choice institutionalism stems from neoclassical economics, defines institutions as formal and informal rules and associated monitoring and sanctioning mechanisms, and assumes that actors are motivated by a logic of instrumentality but that their actions are institutionally constrained. Organizational institutionalism stems more from phenomenology and cognitive psychology; defines institutions as formal rules and taken-for-granted cultural frameworks, cognitive schema, and routinized processes of reproduction; and assumes that actors are motivated more by a logic of appropriateness whereby action is constrained and enabled by cultural frames, schema, and routines. Historical institutionalism stems from Marxist and Weberian political economy, defines institutions as formal and informal rules and procedures, and assumes that actors are motivated by logics of both instrumentality and appropriateness in ways that are constrained by rules, procedures, cognitive paradigms, and principled beliefs.

What is important about these literatures is that they all focus on how institutions constrain and enable behavior and argue that institutions beyond the market are often necessary to ensure that corporations are responsible to the interests of social actors beside themselves. That is, the way corporations treat their stakeholders depends on the institutions within which they operate (Fligstein & Freeland, 1995). Stakeholders are individuals or groups with which the corporation interacts who have a stake or vested interest in it, such as employees, consumers, suppliers, and local communities within which corporations operate (Carroll & Buckholtz, 2000, p. 21). Following calls for a rapprochement among these three paradigms (Campbell & Pedersen, 2001;

Hirsch & Lounsbury, 1997), this article employs insights from all versions of institutional analysis to show how the likelihood that firms will act in socially responsible ways is institutionally conditioned.

I begin by briefly reviewing the literature on the determinants of CSR to show that our knowledge of the institutional conditions affecting this form of corporate behavior is extremely limited. Second, I provide a definition of socially responsible corporate behavior that identifies a behavioral threshold below which corporations no longer behave in socially responsible ways. This is an unconventional definition when compared to the literature on CSR. But by using this definition, this article helps to fill an important blind spot in the literature on CSR. Third, I explore some of the institutional conditions under which corporations may be more or less likely to engage in socially responsible behavior. Specifically, I develop a series of propositions suggesting that public and private regulation, the presence of nongovernmental and other independent organizations that monitor corporate behavior, institutionalized norms regarding appropriate corporate behavior, associative behavior among corporations themselves, and organized dialogues among corporations and their stakeholders all affect the likelihood of socially responsible corporate behavior. As such, this article helps to move the literature on CSR in a more theoretically oriented direction by using insights from institutional theory.

Two caveats are required. First, I focus only on the institutional determinants of CSR that reside outside the firm. Others have examined factors inside the firm that affect CSR (e.g., Aguilera & Jackson, 2003; Mitchell, Agle, & Wood, 1997). Second, my purpose is analytical, not normative. I am only trying to understand why corporations might act in socially responsible ways.

Research on Corporate Responsibility

The literature on CSR has been reviewed elsewhere (e.g., Margolis & Walsh, 2003; Orlitzky et al., 2003). Of the few studies that explore the factors that affect socially responsible corporate behavior, most focus on the effects of corporate financial performance, but not institutions (e.g., Brown & Perry, 1994; Waddock & Graves, 1997). There are some exceptions.

First, research on corporate philanthropy investigates whether tax law affects philanthropic giving by firms, implying that institutions regulating property rights and corporate behavior may affect the propensity for CSR (e.g., Clotfelter, 1985). Second, some researchers have found that corporations act in socially responsible ways if organizations, such as business associations, foster normative or cognitive institutions that encourage such behavior (e.g., Galaskiewicz, 1991). Third, a few studies have found that managerial attitudes toward CSR vary cross-nationally (e.g., Maignan & Ralston, 2002). It is unclear from the research, but perhaps nationally specific institutions are responsible for these differences. There is a more general literature on corporate governance that has done better in showing that institutions vary cross-nationally and affect the degree to which stakeholders influence corporate managers (e.g., Aguilera

& Jackson, 2003; Dore, 2000; Roe, 2003). But it focuses less on CSR per se than on corporate governance with respect to things such as investment time horizons, financial strategies, and employee training.

Finally, stakeholder theory examines whether and why corporations attend to the interests of stakeholders (e.g., Freeman, 1984; Mitchell et al., 1997). It is, therefore, related to the issue of CSR. However, most of the stakeholder literature focuses on defining important stakeholders, arguing that stakeholders have legitimate claims on corporations, advocating stakeholder management practices, and trying to show how stakeholder management affects corporate financial performance (Donaldson & Preston, 1995). It does not generally examine the conditions under which corporations are likely to act in socially responsible ways vis-à-vis their stakeholders.

In sum, all of this literature points toward but does not systematically develop an institutional analysis of CSR.

What Is Corporate Responsibility?

Defining socially responsible corporate behavior is not easy. It involves specifying the type of corporate behavior with which we are concerned, of which there are many possibilities, such as how a firm treats the environment, its employees, its customers, and so on. It involves comparing corporate behavior with some standard, such as those posed by the law or international organizations. And it involves distinguishing between the rhetoric and substantive behavior of firms. My concern is with the substantive rather than the rhetorical or symbolic aspects of CSR.

I view corporations as acting in socially responsible ways if they do two things. First, they must not knowingly do anything that could harm their stakeholders. Second, if they do harm to stakeholders, then they must rectify it whenever it is discovered and brought to their attention. This is a definition that sets a *minimum behavioral standard* with respect to the corporation's relationship to its stakeholders below which corporate behavior becomes socially irresponsible. Unless noted otherwise, this is the definition that I will use throughout the rest of this article.

This definition differs from the conventional one that other researchers use, which defines CSR as actions taken by a firm that are intended to further social welfare beyond the direct economic, technical, and legal interests of the firm, such as providing child care for employees, giving to charity, or pursuing environmentally friendly practices (e.g., McWilliams & Siegel, 2001). Certainly, this conventional definition is useful in drawing attention to important issues that are worth studying. But my concern in this article is only with the conditions under which corporations meet the minimum level of socially responsible behavior as I have defined it. This is because the issue of doing harm has been largely ignored in the literature on CSR. In fact, no mention is made of the issue in three recent comprehensive reviews of the literature (Margolis & Walsh, 2003; Orlitzky et al., 2003; Walsh et al., 2003). This is surprising given the fact that some firms may score quite high on CSR by conventional definitions but very low by my definition. For instance, a corporation may do lots of public service work and contribute heavily to charities but systematically pollute the environment, misappropriate money from their employees' pension fund, or pursue discriminatory labor practices. Hence, there is another blind spot in the literature that this article helps to fill.

Under my definition, operationalizing socially responsible behavior may be difficult but not impossible. For instance, depending on what type of corporate behavior or stakeholder interests researchers are interested in, they could examine lawsuits filed against firms by employees, environmental agencies, investors, or consumer groups. Similarly, they could compare these sorts of outcomes across industries within a country or for the same industry across countries.

What Institutional Conditions Affect CSR?

Institutional factors are not the only ones that likely influence CSR. For instance, I accept that firms whose financial performance is strong are more likely to engage in socially responsible corporate behavior than firms whose financial performance is weak (e.g., Orlitzky et al., 2003; Waddock & Graves, 1997). But my concern here is only with institutions and the sticks and carrots they provide that constrain and enable behavior in ways that facilitate CSR.

Most obviously, the state's regulatory sanctions matter. Government deregulation during the 1980s and 1990s created an environment where U.S. corporations began to act in more socially irresponsible ways than they would have otherwise. For example, observers have argued that the savings and loan crisis, the Enron debacle, the U.S. accounting frauds, and other corporate scandals of the 1990s can all be attributed in large part to financial deregulation (Stiglitz, 2003). Of course, as rational choice institutionalists have long argued, it is not just the presence of regulations that matters but also the capacity of the state or other actors to monitor behavior and enforce these regulations when necessary (North, 1990; Ostrom, 1990). We should not assume that states will always do this effectively. Indeed, corporations may not only resist the imposition of regulations in the first place but may also seek to control or otherwise capture regulators in ways that bend them toward the will of the corporations that they are supposed to oversee (Bernstein, 1955). Much hinges on the institutional design and configuration of regulation and the balance of political forces surrounding it. As many institutionalists recognize, the capacity of actors to mobilize and exercise power shapes institutions and influences their effectiveness (Campbell, 2004, chap. 6; Dobbin, 2005).

In this regard, historical institutionalists who have studied regulation in cross-national contexts recognize that the manner in which relevant social actors are involved in negotiations over the initial formulation of regulations tends to affect their responsiveness to those regulations later. Specifically, if firms are included in this process early, then they are more likely to subscribe voluntarily and with little state coercion to the regulations that result (e.g., Lundqvist, 1980). This leads to my first proposition:

> Corporations will be more likely to act in socially responsible ways if there are strong and well-enforced state regulations in place to ensure such behavior, particularly if the process by which these regulations and enforcement capacities were developed was based on negotiation and consensus building among corporations, government, and the other relevant stakeholders.

Regulation is not always the responsibility of the state. Often, industries establish their own regulatory mechanisms to ensure fair practices, product quality, workplace safety, and the like by setting standards to which their members are expected to adhere. In fact, sometimes the most effective means of facilitating increased CSR is through corporate peer pressure. This is often undertaken by industrial associations whose job it is, in part, to ensure that their members act in socially responsible ways (Streeck & Schmitter, 1985). Recently, this sort of activity has taken on a global dimension. New organizations, such as Transparency International, which is supported by 64 corporations from the United States and other countries, have been created to help reduce corrupt business practices around the world (Porter & Kramer, 2003, p. 40).

Historical institutionalists have shown that self-regulation by industry association is often linked to the state. Sometimes, this sort of activity is authorized by the state so that the state can displace on to these private associations what would otherwise be its own regulatory responsibilities. Sometimes, industry moves toward self-regulation out of a concern that to do otherwise would eventually result in state regulatory intervention. That is, astute members of industry realize that it is better to control the regulatory process themselves than to be forced by the state to succumb to a process and a set of standards over which they would have little control. Finally, sometimes self-regulation emerges because corporations fear that state regulation is insufficient to protect the industry from itself, such as when industrial crises or scandals are not prevented by state regulation (Campbell, 1989; Streeck & Schmitter, 1985).

Of course, industrial self-regulation also requires monitoring and enforcement to be effective. Without enough support from the state, self-regulation often fails. Institutionalists have recognized that in the United States, the self-regulatory association agreements into which firms have entered have not always been upheld by the courts (Lindberg & Campbell, 1991). In countries that are more amenable to associative governance and that have property rights in place that are more supportive of collective business activity, such as Britain and Germany (Djelic, 1998), I suspect that the courts are more likely to back up industrial self-regulation. And as is also true for state regulation, the capacity of various stakeholders to monitor industrial self-regulation helps determine politically how effective self-regulation is in ensuring that corporations behave in socially responsible ways (Schneiberg & Bartley, 2001).

I will return to monitoring shortly. For now, the important lesson, which parallels the discussion about state regulation, is that much depends on how self-regulation is organized, the balance of powerful political forces involved, and how self-regulation intersects with the state and its legal institutions. Hence, my second proposition:

> Corporations will be more likely to act in socially responsible ways if there is a system of well-organized and effective industrial self-regulation in place to ensure such behavior,

particularly if it is based on the perceived threat of state intervention or broader industrial crisis and if the state provides support for this form of industrial governance.

I have mentioned that the effectiveness of state regulation and industrial self-regulation may be affected by stakeholder monitoring. Rational choice institutionalists have long held that the effectiveness of institutional constraints is only as strong as are the monitoring and enforcement procedures associated with them. Indeed, the monitoring of corporate performance by stakeholders is an important factor that increases the likelihood that corporations will behave in socially responsible ways (e.g., Mitchell et al., 1997).

For instance, organizational institutionalists have shown that as corporations engage in multinational operations, a variety of nongovernmental organizations (NGOs) have emerged to establish codes of conduct and monitor the behavior of these corporations (Frank, Hironaka, Meyer, Schofer, & Tuma, 1999). When necessary, NGOs, including transnational labor confederations, pressure corporations to behave in more socially responsible ways by appealing to firms directly, organizing demonstrations against them, pressuring local governments to force corporations to improve their behavior, and mobilizing media campaigns to bring public attention to certain alarming corporate practices (Gordon & Turner, 2000; Keck & Sikkink, 1998; Porter & Kramer, 2003, p. 41).

Historical institutionalists have long recognized that political opportunity structures—that is, channels of access to decision makers—help determine how successful pressure groups are in influencing politics (Campbell, 2005). Similarly, whether NGOs are successful in pressuring corporations to behave in socially responsible ways depends in part on the political institutions through which they operate. In the United States, NGOs confront a federalist political structure, weak political parties, and a separation of powers among the three branches of government so the opportunities for influencing public policy are quite diffuse. In Europe, NGOs face more centralized political structures that often grant formal standing to interest groups so NGOs more often enjoy direct access to the policy-making process (Doh & Guay, in press). Whether one or the other of these conditions provides better opportunities for NGOs to affect corporate behavior is unclear and requires further study.

Social movement organizations have also emerged around issues of CSR (Smith, 2005). For instance, social movement campaigns have pressured companies in the apparel and timber industries to act in more socially responsible ways (Bartley, 2003). Similarly, institutional investors and financial intermediaries have played an increasingly important role in monitoring corporate behavior and, in some cases, pressing corporations to act in environmentally and socially responsible ways (Davis & Thompson, 1994). Particularly as economic activity becomes more globalized and, therefore, more difficult for national governments to regulate, the capacity of social movements, activists, institutional investors, and others to monitor and challenge corporate behavior becomes more important in facilitating CSR (e.g., Fung, O'Rourke, & Sabel, 2001).

Finally, the press monitors and reports on corporate behavior in ways that discipline corporations by subjecting them to the constant threat of public exposure. The press has long been a watchdog of sorts, keeping both the public and government officials informed about corporate activity. But in some countries, this role has increased in recent years to the point where corporations have dedicated more resources to managing media relations as well as monitoring the media to appraise the performance of their own subsidiaries (Kjær & Langer, 2004).

All of this is consistent with the notion that ensuring responsible corporate behavior requires that outsiders beyond the state are powerful and well organized enough to provide a counterbalance to corporate power (Schneiberg & Bartley, 2001, pp. 133-134; Schneiberg & Soule, 2005). This leads to my third proposition:

> Corporations will be more likely to act in socially responsible ways if there are private, independent organizations, including NGOs, social movement organizations, institutional investors, and the press, in their environment who monitor their behavior and, when necessary, mobilize to change it.

So far, my argument has been that institutions and organizations influence corporations by constraining their behavior—that is, by discouraging them from acting in socially irresponsible ways primarily through rules and negative sanctions or punishments. We know, however, that institutions can *enable* as well as *constrain* action (Campbell, 2004, chap. 3). Institutions can entice actors to behave in certain ways through the provision of more positive incentives, rewards, and other mechanisms.

Organizational institutionalists in particular have stressed that the cognitive frames, mind-sets, conceptions of control, or worldviews of corporate managers are important determinants of how managers run their firms. Managers seek to act in ways that are deemed appropriate by other managers and significant actors in their environment. Managers learn these standards by absorbing the messages that are transmitted to them at business schools and through professional publications (Fligstein, 1990; Guillén, 1994). It follows that these sorts of institutionalized norms and frames may affect the degree to which firms operate in socially responsible ways.

At least one study of CSR has made precisely this point. Galaskiewicz (1991) found that business leaders in Minneapolis developed and institutionalized norms that encouraged charitable giving. The impetus came from a conference of local business leaders where a business school professor lectured on communitarian ideology and warned that the business community needed to come to grips with it. This led to additional seminars and eventually the creation of an educational organization that offered courses for executives that focused on the fundamentals of CSR. Managers that had participated in these courses tended to embrace an ethic of enlightened self-interest and social responsibility.

Institutionalists recognize that normative institutions vary across countries in ways that affect corporate behavior. Japan, for example, has long been known for the fact that its corporations typically hire employees for life and, if economic circumstances dictate, will shed labor by reassigning employees to jobs in other closely held firms

(Dore, 2000). The implicit commitment to employee security has been under strain recently due to the Japanese recession, but many firms are still reluctant to engage in mass layoffs for fear of public criticism. In other words, the normative status of employees as stakeholders in Japanese society is well recognized and deeply embedded in business culture. This is not the case in other countries with different normative standards, such as the United States, where mass layoffs are not uncommon (Bühner et al., 1998). This suggests a fourth proposition:

> Corporations will be more likely to act in socially responsible ways if they operate in an environment where normative calls for such behavior are institutionalized in, for example, important business publications, business school curricula, and other educational venues in which corporate managers participate.

Historical institutionalists have argued that when firms belong to trade or employer associations and interact on a more systematic and frequent basis with their peers, they are more likely to develop a relatively long-term view of their interests that may supersede their short-term views (Streeck, 1997). Galaskiewicz (1991, p. 305) showed that business associations, such as the chamber of commerce as well as local associations, have been influential in encouraging CSR of various sorts. These business associations were responsible for institutionalizing a normative climate that facilitated socially responsible corporate behavior among its members.

Elsewhere in U.S. history, nationally organized business associations played an important role in educating their members about the long-term benefits of better industrial relations systems, better worker compensation programs, fairer trade practices, and the like. This sort of activity cultivated a certain normative environment that was conducive of CSR. Of course, not all associations did this. For example, during the early 20th century, the National Association of Manufacturers often opposed the socially responsible efforts of its more progressive counterparts (Kolko, 1963; Weinstein, 1968). Nevertheless, my fifth proposition follows:

> Corporations will be more likely to act in socially responsible ways if they belong to trade or employers associations that support socially responsible behavior.

Communication and education also affect corporate behavior in other ways. Institutionalists have written a lot about the economic benefits associated with interfirm collaboration and cooperation (e.g., Best, 1990). But when communication extends beyond managers themselves and also includes other stakeholders, it appears that corporations begin to better appreciate the concerns of these other actors and, in turn, act in more socially responsible ways. This is because patterns of interaction affect how actors perceive their situations (Campbell, 2004, chap. 3; Fligstein, 2001). As stakeholder theory suggests, legal institutions affect this sort of dialogue between corporations and stakeholders (Aguilera & Jackson, 2003; Roe, 2003).

For example, legal institutions may provide employees with a voice in corporate decision making. In Germany, workers are guaranteed by codetermination law a voice in corporate decision making through their representation on boards of directors and in works councils (Streeck, 1997). In Japan, labor law reinforces the notion of the firm as a consensual community where the interests of employees must be well represented (Dore, 2000, pp. 102-104). And the European Union has passed directives that oblige employers in all member countries to enter into processes of information and consultation with employee representatives at critical moments, such as when firms become insolvent or managers try to sell the firm to another corporation (Armour, Deakin, & Konzelmann, 2003). As Streeck (1997) has shown, the implementation of these sorts of laws forces employers into a dialogue with employees that tends, over time, to shift the mind-set of managers in ways that may facilitate more socially responsible behavior. Notably, whereas corporate managers in Germany initially objected to codetermination legislation when it was first introduced after the Second World War, they gradually came to appreciate the benefits they derived from it and eventually defended the system when it came under political attack in the 1990s (Thelen, 2000).

Legal institutions also facilitate deliberation, discourse, and dialogue between corporations and community stakeholders in ways that facilitate CSR. For example, in the United States, where legal authority for environmental regulation has been delegated to local actors, including firms, local government, community members, and others, an ongoing dialogue among these actors has emerged. In turn, through this institutionalized dialogue, the interests of ordinarily antagonistic parties (i.e., corporations and stakeholders) are often redefined, and actors—including corporate managers—begin to expand what they believe to be feasible environmentally responsible practices (Sabel, Fung, & Karkkainen, 2000). Research shows that firms are more likely to behave in socially responsible ways as a result (Karkkainen, Fung, & Sabel, 2000, pp. 691-692).

The law also determines the degree to which corporate managers engage in dialogue with investors. In the United States, financial regulations have limited the degree to which investors, banks, and other financial intermediaries must be consulted by corporate managers. In other countries, such as Germany and Japan, the law is much different, and managers have to consult more frequently with investors. As a result, U.S. managers typically have much more decision-making autonomy and much less accountability to investors (Roe, 2003). It follows that U.S. managers may be less inclined to act responsibly toward investor interests than managers elsewhere. The point is the following:

> Corporations will be more likely to act in socially responsible ways if they are engaged in institutionalized dialogue with unions, employees, community groups, investors, and other stakeholders.

Conclusion

I have argued that institutional conditions affect the probabilities that corporations will act in socially responsible ways. Corporations are more likely to act in socially responsible ways the more they encounter strong state regulation, collective industrial self-regulation, NGOs and other independent organizations that monitor them, and a normative institutional environment that encourages socially responsible behavior. Moreover, socially responsible corporate behavior is more likely to occur to the extent that firms belong to business associations and engage in institutionalized dialogue with stakeholders. These propositions are based on insights from institutional analysis and begin to fill a significant theoretical void in the literature on CSR. These propositions are surely not exhaustive. But they are a beginning.

More generally, this article suggests that new management practices, such as CSR, do not emerge and become institutionalized automatically in response to functional imperatives or environmental contingencies. They are contested and involve struggle, conflict, negotiation, and the exercise of power. Lukes (1974) famously argued that power operates at three levels. All three are evident in the preceding discussion. First, I have argued that the adoption of CSR depends in part on stakeholders publicly pressing corporate managers to act in more responsible ways and monitoring corporate behavior toward that end. Litigation or public protests and demonstrations would be examples of this sort of power in action. In this sense, power is exercised through overt conflicts and struggles between stakeholders and managers. Second, the development of more socially responsible corporate behavior can involve less conspicuous behind-the-scenes efforts to shift the agenda of corporate managers toward more socially responsible behavior. Peer pressure through business associations or the sometimes private, informal appeals from NGOs or institutional investors for socially responsible corporate behavior are examples of the exercise of power at this level. Third, changes in the deep-seated, taken-for-granted assumptions of managers in the utility or appropriateness of socially responsible behavior may stem from ongoing forms of dialogue between managers and stakeholders as institutionalized, for instance, through codetermination law in Germany. Here power operates by affecting the fundamental assumptions of corporate managers.

The point is that the institutionalization of new management practices such as CSR are settlements among contending groups that seek to influence corporate policy. Indeed, this observation has been corroborated recently by a number of scholars who blend the insights of organizational and social movement theories to account for shifts in a wide variety of organizational practices (Campbell, 2005; Davis, McAdam, Scott, & Zald, 2005).

This raises a final issue. Because institutions are settlements, it follows that the institutional terrain within which corporations operate is not static. There are dynamic pressures that ebb and flow, causing this terrain to shift over time. Again, these pressures often involve power. Indeed, stakeholder activism, political decision making, and many of the other forces discussed in this article, including the power to alter the perceptions and assumptions of corporate managers, will continue to conspire in ways that can change institutions and, therefore, the propensity for corporations to act in socially responsible ways.

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