THREE ESSAYS ON STRATEGIC RESPONSES TO INSTITUTIONAL DEMANDS: EXPLAINING VARIATION IN NEW PRACTICE ADOPTION

Donghoon Shin

Desautels Faculty of Management, McGill University, Montreal

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DISSERTATION ABSTRACT (English)

This dissertation explores how organizations strategically respond to institutional demands by adopting and adjusting innovations or practices. The first paper is conceptual and addresses conditions under which organizations can superficially conform to external demands through various decoupling strategies. This essay argues that the compliance cost, ambiguity, and murkiness of the practice jointly predict organizations' strategic adjustment of practice content and organizational scope to which the focal practice is applied. This paper makes important contributions to institutional theory by illuminating the qualitative variations of decoupling, thereby contributing to an enhanced understanding of strategic responses of organizations facing institutional pressures. The second essay illuminates the curvilinear relationship between organizational status and the extensiveness of implementation of new, institutionally-mandated management practices. Practice adoption is an important form of organizational change, given that the adopted practice brings about changes in organizations. Organizational status, which is defined as an external perception or evaluation of an actor's position compared with other actors who have the same function, is a key factor affecting organizational conformity to institutional pressure. This essay argues that organizations interpret externally requested practices differently depending on their status since status gives rise to distinctive goals, aspirations, and transaction costs. This paper finds interesting relationships between organizational status and practices in the context of universities' adoption and implementation of two admission policies: middle status actors more extensively implemented a practice with clear implementation guidelines than high or low status actors; meanwhile their implementation level of an ambiguous practice was lower than high or low status counterparts. This study makes meaningful contributions to the status literature by extending the notion of "middle-status conformity" and to the practice adoption literature by suggesting that organizations' sense of goal congruence and potential benefit

attainment, both of which vary depending on status, determine how organizations use new practices. The third essay focuses on firm-level choices of different restructuring modes (layoffs and asset divestitures) in response to strong institutional pressure. Restructuring is a prominent form of organizational change which is often contested among various stakeholders. Despite accumulated knowledge regarding economic and/or social motivations for restructuring, less attention has been paid to different restructuring modes, especially in the context of family businesses. Consistent with the previous family business literature, I argue that family involvement is negatively associated with restructuring due to family members' unique decision-making logics in pursuing cross-generational sustainability for their firms. However, I further argue that family-involved firms will prefer layoffs to asset divestiture under strong institutional pressure for corporate restructuring, since family members consider the former as more conducive to cross-generational sustainability than the latter. This paper contributes to literature streams on family business, corporate governance and restructuring, and institutional theory. As a whole, this dissertation contributes to the literature on agency within institutional theory by focusing on a variety of organizational responses to strong institutional pressures.

DISSERTATION ABSTRACT (French)

Cette thèse explore la façon dont les organisations répondent stratégiquement aux exigences institutionnelles en adoptant et en ajustant les innovations ou les pratiques. Le premier essai conceptuel adresse les conditions dans lesquelles les organisations conforment superficiellement aux exigences externes par le biais de diverses stratégies de découplage. Cet essai fait valoir que le coût de la conformité, l'ambiguïté et l'opacité de la pratique prédisent conjointement l'ajustement stratégique du contenu d'une pratique et la portée de l'organisation. Ce papier apporte des contributions importantes à la théorie institutionnelle en éclairant les variations qualitatives du découplage, contribuant ainsi à une meilleure compréhension des réponses stratégiques des organisations confrontées à des pressions institutionnelles. Le deuxième essai éclairci la relation curviligne entre le statut d'organisation et l'étendue de la mise en œuvre des nouvelles pratiques mandatées par l'environnement institutionnel. L'adoption de la pratique est une forme importante de changement organisationnel, étant donné que la pratique apporte des changements dans les organisations. Le statut de l'organisation, défini comme une perception externe ou évaluation de la position d'un acteur par rapport aux autres acteurs qui ont la même fonction, influence la conformité organisationnelle aux pressions institutionnelles. Cet essai soutient que les organisations interprètent les pratiques externes requises différemment selon leur statut puisque le statut donne lieu à des objectifs distincts, les aspirations et les coûts de transaction. Ce document constate des relations intéressantes entre le statut d'organisation et les pratiques dans le contexte de l'adoption et de la mise en œuvre de deux politiques d'admission des universités: les acteurs de statut milieu mettent en œuvre plus largement que les acteurs de statuts hauts ou bas une pratique avec les directives claires; cependant, leur niveau de mise en œuvre d'une pratique ambiguë a été plus faible que leurs homologues. Cette étude apporte une contribution significative à la littérature sur le statut en étendant la notion de conformité

de moyen statut et à la littérature de l'adoption de la pratique en suggérant que le sens de le congruence en objectifs et le potentiel de niveau des prestations, les deux qui varient selon le statut d'organisations, déterminent comment les organisations utilisent de nouvelles pratiques. Le troisième essai se concentre sur les choix des entreprises de différents modes (mises à pied et cessions d'actifs) de restructuration en réponse à une forte pression institutionnelle. La restructuration est une forme importante de changement organisationnel souvent contestée entre les différentes parties prenantes. Malgré les connaissances accumulées au sujet des motivations économiques et / ou sociales de restructuration, moins d'attention a été accordée aux différents modes de restructuration, en particulier dans le contexte des entreprises familiales. Conformément à la littérature sur l'entreprise familiale, je soutiens que la participation de la famille est associée négativement à la restructuration en raison de la logique de prise de décision unique de membres de la famille dans la poursuite de la durabilité intergénérationnelle pour leurs entreprises. Cependant, les entreprises familiales préfèrent les mises à pied à la cession d'actifs sous forte pression institutionnelle pour la restructuration, étant donné que les membres de la famille considèrent le premier comme plus propice à la durabilité intergénérationnelle. Cet article contribue aux littératures sur les affaires de la famille, la gouvernance d'entreprise et à la restructuration, et la théorie institutionnelle. Dans son ensemble, cette thèse contribue à la littérature sur l'agence au sein de la théorie institutionnelle en mettant l'accent sur une variété de réponses organisationnelles aux pressions institutionnelles fortes.

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PREFACE

This dissertation is written as a part of the requirements of the degree of Doctor of Philosophy in Management, McGill University. The dissertation is comprised of three essays. The first essay contributes to institutional theory, decoupling, and practice variation literature. The second essay contributes to the literature on organizational status and on agency within institutional theory. The third essay contributes to family business, corporate restructuring and governance, and agency within institutional theory literature. After the three essays, a general contribution section integrates the contributions of each essay and describes the relationships between them. The findings reported in this dissertation are original, unpublished, and independent work by the author, Donghoon Shin, under the supervision of Prof. Robert David and Prof. Ilya Okhmatovskiy.

ESSAY 1

Variations and Antecedents of Ceremonial Conformity as a Response to Institutional Pressure

Abstract

The current paper focuses on ceremonial conformity, the inconsistency between what is done and what is claimed by organizations, as a form of organizational agency in response to institutional pressure. By extending the dichotomous and unidimensional conceptualization of decoupling, the current paper aims to identify and consider numerous ways of separating institutionally requested organizational actions from actual operations. As ways that organizations choose to adjust their degree of conformity to institutional pressures, the current paper uses two practice variation dimensions suggested by Ansari, Fiss, and Zajac (2010), namely, fidelity and extensiveness. This paper argues that these two dimensions are predicted by a motivational factor (compliance cost) and constraints (ambiguity and murkiness), which are inherent in the practice characteristics. Furthermore, the asymmetric effects of ambiguity and murkiness on the adjustment of fidelity and extensiveness are theorized. This paper contributes to institutional theory by illuminating the qualitative differences and variations of decoupling, thereby contributing to an enhanced and nuanced understanding of organizational strategic responses in response to unwelcome institutional pressures.

Keywords: Decoupling and Ceremonial Conformity, Practice Variation, Institutional Theory

INTRODUCTION

Since Meyer and Rowan's seminal work (1977), decoupling has received academic attention as an important organizational response to institutional pressures between full compliance and rejection (Oliver, 1991). When organizations face strong institutional pressure to adopt a certain formal structure in which they have little belief regarding its actual efficiency, they may intentionally separate the formal structure from the actual operation. Through decoupling, organizations can secure legitimacy from audiences while reducing the unfavorable consequences of compliance (Edelman, 1992; Meyer & Rowan, 1977). Voluminous works on decoupling have ensued over the last four decades, and the object of decoupling has expanded from the adoption of formal structures to various types of organizational practices (e.g., Edelman, 1992; Weaver, Treviño, & Cochran, 1999; Westphal & Zajac, 1998).

This expansion to organizational practices has created an interesting research avenue about how organizations separate adoption from implementation. Although previous studies on decoupling have greatly increased our understanding of organizational strategic responses to institutional pressures, the term *decoupling* has contained, by and large, a dichotomous conceptualization, given that early definitions of decoupling connote superficial adoption without the actual use of certain formal structures (Crilly, Zollo, & Hansen, 2012; Yoshikawa, Tsui-Auch, & McGuire, 2007). Due to the dichotomous conceptualization of decoupling, studies have theorized and measured decoupling by using a single dimension, such as the adoption of equal opportunity policies and affirmative action offices. With the consideration of a single dimension of decoupling, scholars have studied various organizational- and institutional-level predictors such as sociopolitical conditions within organizations, monetary advantages, network relationships, and resource dependency as antecedents of decoupling

(Fiss & Zajac, 2004, 2006; Maclean & Behnam, 2010; Tilcsik, 2010; Westphal & Zajac, 1994, 1998, 2001; see Boxenbaum & Jonsson, 2008 for a review).

However, this tendency has led to a limited understanding of the qualitative differences and variations in decoupling. Oliver (1991) suggested various strategic responses within a continuum and I argue that decoupling needs to be understood as a continuous variable as well. This is particularly relevant as we study the decoupling of organizational practices, since organizations can adjust *degrees* of deviation from an institutionally requested organizational practice. By the same token, recently scholars have increasingly considered decoupling as a matter of degree between compliance and rejection and have used continuous measures in their analyses (e.g., Marquis & Qian, 2013; Tilcsik, 2010; Westphal & Zajac, 2001). In addition, organizational practices tend to have various contents that adopting organizations may or may not choose to implement. For example, firms in emerging markets may announce the adoption of a code of good corporate governance in reaction to requests from the government and investor groups. They may include the adoption of formal rules that are less demanding, while opting out of more demanding contents that may reduce the firms' discretion (Fernández-Rodríguez, Gómez-Ansón, & Cuervo-García, 2004; Krambia-Kapardis & Psaros, 2006; Okhmatovskiy & David, 2012).

With consideration of the *degree and content* of decoupling, various methods that organizations use to separate what they claim to do from what is actually done can be captured, and the conceptualization of decoupling can be further extended to the more general construct of ceremonial conformity. Whereas decoupling refers to claim without action, ceremonial conformity is actions which are different from claim both in terms of degree and content. Examples include partial compliance (Fernández-Rodríguez et al., 2004; Krambia-Kapardis & Psaros, 2006; Luoma & Goodstein, 1999; Sharma & Henriques, 2005) and substitution (Okhmatovskiy & David, 2012), to name a few. More importantly, this conceptual extension leads us to consider the antecedents of organizations' various ceremonial compliance strategies. Although previous studies have undeniably contributed to our knowledge on what types of organizations are more likely to use ceremonial conformity and under what contexts, less attention has been paid to the importance of focal practices in decoupling studies. Oliver (1991) stressed that organizations' strategic responses to institutional pressures are largely determined by the characteristics of institutional requirements. Different practices could more or less likely be decoupled by adopting organizations, depending on the characteristics of the practices that are institutionally requested. The main research questions of this paper are: "What practice-level characteristics facilitate or constrain organizations to ceremonially conform to institutional requirements?" and "By what mode do organizations use ceremonial conformity?"

To answer these questions, this paper explores the literature streams of practice variation and agency within institutional theory. First, the practice variation literature provides insights by suggesting different dimensions of adjusting organizational practices (Ansari et al., 2010; Fiss, Zajac, & Davis, 2012; Gondo & Amis, 2013). Particularly, Ansari and colleagues suggest two dimensions of practice variation (2010) – namely, *fidelity* and *extensiveness*[1] - that allow us to consider the qualitative variations of decoupling and ceremonial conformity strategies. I suggest that organizations are able to ceremonially comply with an institutionally requested practice by adjusting fidelity and extensiveness. Theoretically, the combination of the two dimensions creates an unlimited number of ceremonial conformity strategies for organizations.

[1] The former refers to the extent to which the actual contents and configurations of a certain practice conform to or deviate from the ones originally requested; the latter is defined as the extent to which the new practice is applied within the organizational scope.

Second, according to the literature on agency within institutional theory, organizational strategic reactions to institutional pressures are composed of motivation and ability (Oliver, 1991; Seo & Creed, 2002; Sherer & Lee, 2002). I focus on the practice characteristics that affect organizations' motivation and ability to use ceremonial conformity strategies. When organizations face institutional pressures, they engage in the interpretive processes of analyzing the benefits and costs of compliance (Etzion, 2013; Tilcsik, 2010). On the one hand, when a practice is institutionally requested, organizations begin to consider adopting it if they are able to obtain benefits through the practice. Benefits of compliance could take the form of technical/social gains, as well as the avoidance of predicted disadvantages. For example, the adoption of pay-for-performance plans can be useful in obtaining trust from investors, thereby leading to positive stock market reactions (Westphal & Zajac, 1998). Conformity to a transparent CSR initiative could yield organizational legitimacy from the government. In addition, organizations may be able to obviate penalties from strong stakeholders by adopting a requested practice. On the other hand, compliance costs arise from various sources, such as conflicts with internal efficiency criteria (Meyer & Rowan, 1977; Powell, 1988), the loss of discretion and conflicts with the ideology of powerful insiders (Tilcsik, 2010; Westphal & Zajac, 1998), and conflicting institutional demands (Seo & Creed, 2002). If organizations believe that the costs outweigh the benefits, they will be motivated to consider ceremonial compliance.

However, few organizations enjoy absolute freedom in their use of ceremonial compliance strategies, since they are embedded in and affected by the institutional environment. Such freedom may expose organizations to the risk of being caught and punished by strong external audiences (Oliver, 1991). In addition, it may also cause insiders (e.g., employees) who actually conduct "window-dressing" activities to feel frustrated and to withhold the legitimacy of the focal activities (Boiral, 2007; MacLean & Behnam, 2010).

Due to these dangers, organizations' ceremonial compliance is constrained (or facilitated) under certain conditions.

The current paper illuminates *ambiguity* and *murkiness* as two conditions that enable or constrain ceremonial conformity. Even though the influence of ambiguity and murkiness on organizations' ceremonial conformity has been assumed and is mentioned in previous works, how these two factors lead to qualitatively various forms of ceremonial conformity has rarely been theorized.

Ambiguity refers to the degree of uncertainty and indeterminacy between the requested action(s) and the desired outcome. In other words, when the means to achieve a certain outcome are difficult to comprehend and/or are subject to multiple interpretations, ambiguity is high (Briscoe & Murphy, 2012; Giroux, 2006; Rogers, 2003; Wijen, 2014). *Murkiness* refers to the degree to which an organization's action is observable by involved audiences (Jiang & Bansal, 2003; Wijen, 2014). For example, when it is difficult, if not totally impossible for audiences to observe a certain organizational action, murkiness is high.

This paper argues that once an organization is motivated to ceremonially comply with an institutional pressure due to a high compliance cost, the organization will adjust fidelity and/or extensiveness, depending on the level of ambiguity and murkiness of the focal practice. More importantly, I argue that the influence of the ambiguity and murkiness of an organizational practice on the adjustment of fidelity and extensiveness will be asymmetric. In other words, when the level of one practice characteristic is high and the other is low, the degree of fidelity and extensiveness will be differently affected. This is because the routes through which ambiguity and murkiness lead to the two dimensions of ceremonial conformity are different.

The current paper contributes to theory and practice in the following ways. First, the current paper sheds light on the existence of various ceremonial compliance strategies. In addition, built upon insights from previous research and theoretically driven dimensions on the heterogeneity of diffusing practices (Ansari et al., 2010; Fiss et al., 2012; Gondo & Amis, 2013; Westphal et al., 1997), I illuminate the qualitative differences and variations of ceremonial conformity, thereby contributing to an enhanced and nuanced understanding of strategic responses from organizations facing institutional pressures. Second, drawing from previous works on organizational agency in response to institutional pressures (Okhmatovskiy & David, 2012; Oliver, 1991; Seo & Creed, 2002; Sherer & Lee, 2002), the current paper identifies which factors motivate and enable (or constrain) various types of ceremonial conformity. From the literature on decoupling and other ceremonial compliance strategies, the current paper provides the sources of motivation for using ceremonial compliance and two constraining conditions in employing ceremonial conformity strategies. These bundling effects of antecedents, particularly the asymmetric effects of ambiguity and murkiness, on variations of ceremonial conformity provide novel insights for institutional theory, insofar as they suggest various repertoires of organizational actions and the mechanisms that lead to the use of alternative ceremonial actions (Oliver, 1991).

INSTITUTIONS, AGENCY, AND DECOUPLING

Since the development of neo-institutional theory, “structure versus agency” has been a decades-long debate in organizational science (David & Bitektine, 2009; Heugens & Lander, 2009). The distinctive contribution of institutional theory in understanding organizational life lies in its strong and compelling explanation regarding stability and homogeneity (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2007; Zucker, 1977). Institutional theory takes issue with the “conceptual hegemony of the utilitarian, actor-interest model” (DiMaggio, 1988: 16), focusing instead on the various constraints placed on organizational actions, as evidenced by the imagery of the “iron cage” constructed by taken-for-grantedness and shared understandings (Scott, 2007). However, criticisms of institutionalists' strong emphasis on stability and homogeneity have mounted, due to several academic and empirical issues for which the theory provides less compelling explanations, such as the creation of and changes in new institutions, as well as deinstitutionalization (DiMaggio, 1988; Oliver, 1992).

As a solution, scholars have incorporated the concepts of agency and interest from the "old" institutionalism (Selznick, 1949) into neo-institutional theory's "iron cage" view (DiMaggio, 1988; Oliver, 1991; Seo & Creed, 2002). Although individual organizations are embedded in institutional environments in which regulative, normative, and cognitive elements constrain their behavioral boundaries, they are also self-interested actors who seek to deviate from institutionalized rules under certain conditions and to leverage given opportunities, to some extent. This view reflects the idea that institutions constrain or enable an actor's behaviors rather than totally determining them (Batillana & Boxenbaum, 2009). Especially when facing institutional pressures with which they are unwilling (or sometimes unable) to comply, organizations may engage in various strategic actions rather than necessarily complying with or rejecting such pressures (Oliver, 1991; Seo & Creed, 2002).

For example, Seo and Creed (2002) focused on less powerful and marginalized actors within an institution and their efforts to change the institution when facing contradictions within existing institutions. Since these marginalized actors are less likely to benefit from the existing institution, they are expected to engage in agentic behaviors by using alternative institutional logics and praxis. Oliver (1991) provided a broader and more detailed list of organizations' strategic responses to institutional pressures: acquiesce, compromise, avoid, defy, and manipulate. These strategies, located within the continuum between conformity and rejection, are developed by bridging institutional theory and resource dependence theory, both of which place considerable emphasis on the importance of legitimacy and stability.

Oliver (1991) argued that organizations select a certain strategic response in the face of institutional pressures by carefully analyzing the costs and benefits of such strategies.

Decoupling: A Form of Strategic Response to Institutional Pressure

Meyer and Rowan's (1977) seminal work opened up a new line of research on decoupling, which refers to separating the adoption of formal structures from their actual implementation. With the elaboration of relational networks in modern society, the need for coordination and control has increased dramatically in organizational realms. Under this circumstance, the "rationalized myth" that formal structures are the most effective and rational means of conducting such coordination and control tasks has emerged. As this rationalized myth becomes more institutionalized, organizations are forced to adopt these formal structures and external assessment criteria. Because of the legitimacy provision effect, organizations conform to the myth of institutionalized formal structures, which leads to institutional isomorphism.

Although conforming to the institutionalized myth provides organizations with legitimacy benefits, it also generates problems. Meyer and Rowan (1977) suggested two problems of organizational conformity with respect to the rationalized myth: conflicts with internal efficiency rules and conflicting institutional pressures. First, institutionalized rules may create inconsistencies with internal technical and efficiency requirements. Second, since organizations are embedded in multiple institutions, conforming to one institutional requirement may preclude the rules posed by other institutional pressures. Meyer and Rowan (1977) argued that decoupling is a device that organizations use to resolve these inconsistencies. This is possible due to the loose coupling of structural features within organizations (Basu, Dirsmith, & Gupta, 1999; Pfeffer, 1981; Thompson, 1967; Weick, 1976). Organizations can simultaneously pursue external legitimacy and internal efficiency by separating the adoption of a formal structure from its actual implementation. In other words, decoupling is an organizational choice between full compliance and rejection in the face of institutional pressures. “Confidence and good faith” of internal and external participants about the organization and its operations enable the decoupled structure to be sustainable (Meyer & Rowan, 1977: 357). Voluminous works have followed Meyer and Rowan (1977). Although Meyer and Rowan’s initial conception focused on the adoption of formal structures, subsequent scholars have extended the object of decoupling to policies and practices (e.g., Boiral, 2007; Crilly et al., 2012; Delmas & Montes-Sancho, 2010; Fiss & Zajac, 2004; MacLean & Behnam, 2010; Weaver, Treviño, & Cochran, 1999; Westphal & Zajac, 1994, 1998). By suggesting decoupling as a buffering mechanism against unwanted institutional pressures, this line of work has greatly contributed to the understanding of agency in response to strong institutional pressures.

In spite of the contributions, however, there are two issues that the current paper attempts to address. First, from some definitions of decoupling, such as “adoption without implementation” or “seemingly conforming to external requirements while hiding nonconformity,” there has been, implicitly or explicitly, a dichotomous conceptualization of decoupling (Crilly et al., 2012; Yoshikawa et al., 2007). In a similar vein, some previous studies have used binary measures of decoupling (e.g., Westphal & Zajac, 1998). However, Oliver (1991) suggested that the five strategic responses to institutional pressure are located within the continuum between conformity and rejection. Likewise, decoupling, which is one of the tactics under Oliver’s (1991) five strategic responses, needs to be considered as a continuous variable. Furthermore, even when scholars have operationalized decoupling as a continuous variable (Marquis & Qian, 2013; Tilcsik, 2010; Westphal & Zajac, 2001), they have extracted a single dimension of the focal practice and evaluated whether the practice was decoupled. For example, Westphal and Zajac (2001) operationalized decoupling by measuring the degree of repurchased stock vis-à-vis a firm’s initial claim. This conception makes it difficult to identify and understand the qualitative differences in decoupling. However, even Meyer and Rowan's original paper hints that the "*elements* of structure are decoupled from activities and from each other" (1977: 357; emphasis added). This is particularly relevant when scholars study the decoupling of an organizational practice, which consists of multiple elements. In this paper, I shed light on the qualitative variations of decoupling by considering both the degree and the elements of a decoupled practice.

Dimensions of Practice Variation and Ceremonial Conformity

The practice variation literature provides insights into this question. In the study of organizations' management practice adoption and implementation efforts, the practice variation literature has focused on the *adaptation* of a practice to make it fit with the organization (Ansari et al., 2010; Canato, Ravasi, & Phillips, 2013; Fiss et al., 2012). By adaptation, scholars mean "the process by which an adopter strives to create a better fit between an external practice and the adopter's particular needs to increase its 'zone of acceptance' during implementation" (Ansari et al., 2010: 71). Their incorporation of the adaptation concept challenges the assumptions that diffusing practices are homogeneous and that potential adopters are able to either adopt or reject the practice. Scholars in this literature stream have proposed the dimensions of practice variation, which are useful tools in identifying the heterogeneity of diffusing practices[2].

[2] Studies on the process of translation (Boxenbaum, 2006; Czarniawska & Sevon, 1996; Frenkel, 2005; Zilber, 2006) are in line with the adaptation literature, as they deal with adapting imported practices to new contexts. Based largely on qualitative investigations, these works rely on a more comprehensive approach in a particular organization and show the process by which the focal practice is transformed. On the contrary, the practice variation literature has paid attention to devising dimensions that can be analyzed in large-scale statistical models (Ansari et al., 2010).

Drawing from Ansari and his colleagues' work (2010), I use two dimensions in analyzing decoupling: *fidelity* and *extensiveness*. First, the former is defined as the extent to which the actual contents and configurations of a certain structure, policy, or practice conform to or deviate from those originally requested (Ansari et al., 2010; Canato, Ravasi, & Phillips, 2013; Fiss et al., 2012). By adjusting the comprehensiveness of the components of an institutionally requested practice, organizations can cope with the institutional requirements being exerted by constituents, thereby reducing the impact of full compliance. For example, organizations may intentionally pick and choose some subset of rules or practices from the entire set of requirements when facing harsh institutional pressure. Insofar as an organization's actual degree of implementation is different from (usually less than) the degree of adoption that the organization claims or promises, this partial compliance can be considered as a different form of decoupling. Scholars have shed light on firms' selective compliance with a national code of good corporate governance by comparing national codes with those of the firms (Fernández-Rodríguez et al., 2004; Krambia-Kapardis & Psaros, 2006). These firms try to strike a compromise with pressures to adopt a national code of good governance by adopting some subset of the code, while arguing for compliance with the institutional demands. In this way, the firms can avoid the costliest parts of the national code. A substitution response to institutional pressures could be another example. Substitution, which refers to "a situation when an organization seeks to replace one set of rules with another set of rules that the organization presents as more relevant for regulating its practices" (Okhmatovskiy & David, 2012: 156), can be a more deviant form of adjusting the contents of a practice. Okhmatovskiy and David (2012) showed that Russian firms developed their own internal corporate governance codes in order to avoid the adoption of more demanding government-sponsored corporate governance codes. For this reason, substitution seems very similar to selective compliance; however, it is logically different. Rather than merely pick and choose some provisions or subsets from the national corporate governance codes, organizations can more actively include rules or provisions not specified in the national corporate governance codes. The authors argued that this is a form of a compromise strategy, as suggested by Oliver (1991), and that the degree of this “anticipative defense strategy” will vary, according to firm-specific variables such as visibility, peer pressure, and organizational dependence (Okhmatovskiy & David, 2012).

Second, extensiveness refers to the extent to which the new structure, policy, or practice is applied within an organizational scope (Ansari et al., 2010; Canato et al., 2013; Fiss et al., 2012). An organization can adjust the range of application of a certain practice within the organization. By changing (usually narrowing) the scope of application, organizations can reduce the influence of full compliance and/or limit the boundary being impacted. Luoma and Goodstein’s study (1999) involving stakeholder representation on corporate boards serves as a good example. These authors observed that organizations had increased their stakeholder representation on boards as a reaction to institutional pressures that require more attention to stakeholder interests. However, these organizations had not appointed stakeholders to key committees, and thus had left the stakeholder-directors powerless. In this way, firms restrict the boundary of stakeholder representation on boards within certain less important committees, and only partially comply with the institutional demands, as a result. The most extreme form of altering extensiveness can be complete “decoupling,” which is often regarded as an overarching concept of general ceremonial conformity strategies. Ansari et al. (2010) conceptualized decoupling as the extreme adjustment of the extensiveness rather than the modification of the content side (fidelity) regarding a certain practice. With minimum consideration of the content side, organizations may narrow down the organizational scope to which the focal structure or practice is applied. As an example of previous work on decoupling, Westphal and Zajac (1998) examined the positive consequences of decoupling in the corporate governance context. They found support for their arguments that merely the announcement of the adoption of a long-term incentive plan of executive compensation without its actual implementation also receives a favorable stock market reaction.

These two dimensions from Ansari and his colleagues (2010) allow us to take the variation and degree of decoupling into consideration and to extend the boundary of decoupling into more general *ceremonial conformity*. I define this term as the distinction between what is done and what is claimed by organizations in response to institutional demands. This conceptualization makes it possible to identify the different methods of deviating from the original institutional requirements, while superficially claiming that an organization is conforming to those requirements, such as partial conformity and substitution. That is, when organizations face an institutional pressure with which they are not willing to comply, they may ceremonially comply with the pressure by adjusting the fidelity and extensiveness. Of course, we need to be cautious in considering various organizational responses as forms of ceremonial conformity. One can regard a certain organizational action in response to institutional pressures as ceremonial conformity if there exists inconsistencies or differences between what is claimed by the organization about its action and what is actually being done. Organizational claims could be more or less explicit, depending on the organization and the focal organizational practice. By using this more exhaustive conception, however, we will be able to gain a more nuanced understanding of the qualitative differences involving various ceremonial compliance strategies.

ANTECEDENTS OF VARIOUS FORMS OF CEREMONIAL CONFORMITY

The lessons from the practice variation literature, particularly the application of fidelity and extensiveness, pave the road to a better understanding of the antecedents of ceremonial conformity. We may need to think about the antecedents of ceremonial conformity again, given that organizations can use various ceremonial conformity strategies by adjusting the fidelity and/or extensiveness of an institutionally requested practice. Due to the lack of attention given to the qualitative differences and heterogeneity in ceremonial conformity strategies, scholars have shed more light on organizational and environmental conditions such as organizational resource dependence, sociopolitical configurations inside of organizations, and network relationships with peer organizations (Boxenbaum & Jonsson, 2008) as the predictors of the organizational decision to engage in decoupling. For instance, when an organization's top manager has greater political power than its board members, or when its directors are sitting on other firms' boards, where the focal practice is decoupled from actual operation, these firms are more likely to decouple their stock repurchase programs (Westphal & Zajac, 2001). By focusing on organizational and environmental characteristics, these previous studies have shown "*which organizations* are more likely to ceremonially adopt a certain practice *under what conditions.*" With the extended conceptualization of ceremonial conformity, an interesting research question to ask is: "*What type of practices* are more or less likely to be ceremonially adopted through the adjustment of fidelity and extensiveness?"

There has been, by and large, bounded academic interest in the characteristics of a focal practice itself, which are institutionally requested in anticipating organizations' use of ceremonial conformity. However, organizations' strategic actions against institutional pressures are strongly affected by the very nature of these pressures (Oliver, 1991). The meanings and the means to achieve original institutional prescriptions narrow down or constrain possible organizational responses, to a large extent, and ceremonial conformity is not a panacea that can be unlimitedly used by organizations to handle institutional pressures. Indeed, some restrictions may apply when organizations choose their strategic reactions to institutional pressures, and the strength of the restrictions varies across different practices. For example, if an organization decouples the adoption of a certain institutionally forced practice from its actual operation, it assumes the concealment of the organization's action to its audiences. However, different practices have varying levels of complexity and observability. When the organization faces a high probability of being detected, it may put the organization's legitimacy and its outlook on resource acquisition in danger (Marquis & Qian, 2013; Oliver, 1991). Recently, Wijen (2014) considered causal complexity, practice multiplicity, and behavioral invisibility as the components of field opacity and argued that field opacity leads to "means-ends decoupling." Although these components share a great deal in common with the practice-level characteristics suggested below, Wijen's study considered these three components as field-level characteristics and focused more on the decoupling between practices and intended outcomes. In sum, the adjustment of fidelity and extensiveness for the purpose of ceremonial conformity could be initially constrained by the characteristics of the focal practice. In this regard, the current paper aims to identify the critical factors arising from the characteristics of the diffusing practices.

Building upon the aforementioned literature stream on agency and the strategic responses of organizations, the current paper argues that organizational strategic reactions to institutional pressures consist of two fundamental factors: motivation and ability (Oliver, 1991; Seo & Creed, 2002; Sherer & Lee, 2002). For example, Sherer and Lee (2002) showed that the predicted difficulty of securing talented lawyers *motivated* (and the legitimacy of top law firms *enabled*) law firms to initiate organizational change. Seo and Creed (2002) also argued that contradictions with existing institutions *motivate* actors to become change agents, and the praxis of the organizations *enables* them to do so. Although these two studies had different views concerning the social rank of change agents within an institution (the former paid attention to the elite players, while the latter shed light on the marginalized actors of the institutional field), they both assumed that motivation and ability are the key elements of strategic responses to change. I argue that ceremonial conformity, as a form of agency involving the actors embedded in institutions, is also mobilized with certain motivations or abilities (or constraints), and I analyze those antecedents. The research model is depicted in Figure 1-1.

Insert Figure 1-1 about here

Motivation for Ceremonial Conformity: Compliance Costs

First, I consider the motivational side of ceremonial conformity. In other words, what makes a certain practice unfavorable to organizations? One important assumption behind the conception of ceremonial conformity is that the interpretive process of analyzing the costs and benefits of compliance precedes the organizations' strategic responses when facing strong institutional pressure (Etzion, 2013; Tilcsik, 2010). The following quote from Oliver (1991) hints at the idea that organizations, either overtly or covertly, compare the costs and benefits regarding strategic responses to institutional pressures:

> A defiance strategy, in contrast to acquiescence, compromise, and buffering, represents unequivocal rejection of institutional norms and expectations, and it is more likely to occur when the perceived cost of active departure is low, when internal interests diverge dramatically, from external values, when organizations believe they can demonstrate the rationality or righteousness of their own alternative convictions and conduct, or when organizations believe they have little to lose by displaying their antagonism toward the constituents that judge or oppose them (1991: 157).

That is, if the compliance cost is high compared to the benefits, organizations will be motivated to engage in ceremonial compliance. The benefits of practice adoption can often take the form of technical/social gains and/or the avoidance of losses (Kennedy & Fiss, 2008). First, by adopting a certain practice, an organization is able to (or expects to) obtain resources and legitimacy by various stakeholders who request the adoption of a practice. For example, active conformance to new policy initiatives by the government may result in financial rewards. Furthermore, the provision of legitimacy often leads to the attainment of resources. If an organization adopts a better corporate governance practice, investors and analysts are more likely to trust the organization and its management, which may in turn, have a positive impact on its stock price and credit ratings.

Second, in addition to expectations for resources and/or legitimacy, an organization may want to avoid the disadvantages of non-conformity through the adoption of a practice. If the anticipated tangible and intangible disadvantages are huge, organizations are likely to adopt the focal practice. For example, adopting an audit committee and a nominating committee is legislated by law (Sarbanes Oxley Act). Given that non-conformity to this legal requirement can lead to the punishment of organizations and managers by regulatory authorities, the avoidance of disadvantages could be a passive form of conformity benefits.

Then, what are the sources of compliance costs? Meyer and Rowan's (1977) seminal paper about decoupling suggested a tension between internal efficiency criteria and conflicting institutional demands as important drivers of decoupling; these effects were replicated by later papers as well (e.g., Powell, 1988; Seo & Creed, 2002). From previous studies on change, agency, and ceremonial conformity, the current paper extends Meyer and Rowan's criteria by adding two additional sources of compliance costs: loss of discretion (Edelman, 1992; Westphal & Zajac, 1998; 2001) and conflict with the ideology of powerful insiders (Tilcsik, 2010). Whereas Meyer and Rowan (1977) and subsequent papers suggested each source of compliance costs, this paper extends these previous studies by categorizing these sources of compliance costs into three different levels of analysis (the macro, meso, and micro levels). Particularly, this study sheds light on micro-level sources of compliance costs in addition to previously examined organization- and institution-level effects. In these situations, higher compliance costs, compared to benefits, motivate organizations to ceremonially conform to institutionally requested practices.

First, compliance costs can occur at the macro-level. Organizations are embedded in multiple institutions simultaneously, and are thereby subject to institutional demands, which may be contradictory to each other (Meyer & Rowan, 1977; Pache & Santos, 2010). If both sets of institutional demands are unavoidable and different sets of stakeholders who support the different institutional demands are not negligible, organizations need to juggle these conflicting demands. As Meyer and Rowan suggested in their seminal work (1977), ceremonial conformity can be considered as a viable option, at least temporarily, in such circumstances. For instance, when satisfying one set of stakeholders (e.g., stakeholders who have regulatory power) may preclude the demands of another set of stakeholders (e.g., stakeholders who own financial resources), organizations can separate the label from the content of their offerings in order to satisfy both sets of stakeholders, or at least not to dissatisfy one set of stakeholders (Phillips & Kim, 2009). Relatedly, if a firm tries to relocate jobs to a different country to enjoy low labor costs for the sake of investor satisfaction, it may lead to legitimacy loss by the general public (Lamin & Zaheer, 2012).

> ***Proposition 1a:*** *Conflicting institutional demands will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

Second, compliance costs also occur at the meso (organization) level. Meyer and Rowan (1977) suggested that organizations may have an incentive to engage in ceremonial compliance when compliance with institutional pressure is in conflict with internal efficiency criteria. For example, when organizations are requested to redesign their production lines based on environmentally friendly processes and technologies, these requirements can be perceived by organizations as huge costs, which will significantly decrease their “efficient” production and revenues (Hoffman, 1999; Sharma & Henriques, 2005). By separating the superficial adoption from substantive implementation of the practice, organizations can obviate the occurrence of high costs and inefficiency.

***Proposition 1b**: A high level of conflict with an organization's internal efficiency criteria will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

Third, micro-level elements can also be sources of compliance costs. However, early studies on decoupling and ceremonial conformity have focused more on organization- or institution-level sources. These compliance costs could involve either the individual-level perceptions of decision-makers or the collective predictions of a group of individuals or organizations. If organizations and managers *perceive* that compliance with a certain institutional pressure will lead to substantial costs, they will then begin to think about alternative options rather than passively complying with such pressure. The political dynamics within an organization and cognitive acceptance by important individuals need to be considered. On the one hand, the adoption of a certain practice may reduce managerial discretion over organizational actions (Edelman, 1992; Jones, Li, & Cannella, Jr., 2015; Westphal & Zajac, 2001). The introduction of formal rules, policies, and procedures delimit what managers can or cannot do. For example, managers may feel that a long-term incentive plan, which ties top managers' salaries to the long-term performance of their organizations, will significantly reduce their discretion over their own salaries (Westphal & Zajac, 1994, 1998). In a similar vein, the adoption of a board committee may reduce the managerial discretion in a firm (Jones et al., 2015). In such circumstances, managers are likely to force their organizations to ceremonially conform to an institutionally requested practice in order to protect their discretion and control.

Proposition 1c*: The perceived loss of discretion of an organization's decision-makers will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

In addition, the cognitive acceptance of an organizational practice could be a source of compliance costs. Let alone the physical costs of adoption, a certain organizational practice may be unacceptable to key organizational members, since it can violate or threaten their ideology. When a new organizational practice may pose a threat to taken-for-granted beliefs or modes of action, psychological resistance may arise against the practice. In a study of a post-Communist government agency, Tilcsik (2010) showed that the adoption of a new budgeting method may be incompatible with the ideology or long-held values of powerful organizational members, which may lead to the separation of adoption from implementation of the focal method.

Proposition 1d: *A high level of ideological conflict with an organization's decision-makers will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

Constraints of Ceremonial Conformity: Ambiguity and Murkiness

Even when the compliance costs are sufficiently higher than the benefits, and ceremonial conformity provides organizations with tangible and intangible advantages, organizations' use of various ceremonial conformity strategies are not boundless. Since organizations are embedded in various institutional environments, where they depend on resources for survival (Pfeffer, 1981; Pfeffer & Salancik, 1978), deviance from institutionalized rules is not always possible. Although less frequently documented, several dangers of ceremonial conformity exist and may limit its usage (Boiral, 2007; MacLean & Behnam, 2010). For instance, if a strong external constituent, such as the government, defines its requests in minute detail and vigilantly monitors organizational actions, it is much more difficult to deviate from the original requirements. Furthermore, organizational legitimacy might be challenged internally by the employees, since they may feel frustrated when they have to be involved in "window-dressing" activities. It may also create diverging views among different organizational members with respect to the same practice or its components (Tilcsik, 2010).

Empirical evidence accumulated by previous studies suggests that various contingency factors predict organizations' ceremonial conformity, such as sociopolitical conditions in and around organizations (Westphal & Zajac, 1994, 2001), resource dependence (Kostova & Roth, 2002; Okhmatovskiy & David, 2012; Sharma & Henriques, 2005; Westphal & Zajac, 1994), relational factors (Kostova & Roth, 2002; Westphal & Zajac, 2001), the strength of institutional environments (Edelman, 1992; Lounsbury, 2001; Luoma & Goodstein, 1999), and so forth. These organizational- and institutional-level factors have described the types of organizations that are likely to use ceremonial conformity under certain environmental conditions. To determine which practices are more likely to be ceremonially adopted by organizations, the current paper suggests two practice characteristics as the antecedents of ceremonial conformity: ambiguity and murkiness.

Ambiguity. The current paper defines ambiguity as the degree of uncertainty and indeterminacy between the requested action(s) and the desired outcome[3]. Ambiguity allows an organization facing institutional pressures to take a variety of actions by giving actors latitude in their actions (Giroux, 2006; Goodrick & & Salancik, 1996; Oliver, 1991; Pfeffer &

[3] Although Giroux (2006) used the term "pragmatic ambiguity" and Wijen (2014) used the term "causal complexity," both terms share a similar conception with this paper's use of "ambiguity." The former term focuses on ambiguity arising from linguistic and textual equivocality, while the latter focuses on confusion arising from a multitude of actors and/or the nonlinearity of actions at the field-level. I focus on the ambiguity residing in the practice.

Salancik, 1978). However, the adoption of a requested practice, structure, or policy does not yield the desired outcome (Wijen, 2014).

Ambiguity can be caused by several sources. First, whether a certain action will result in a valued outcome may be causally ambiguous, due to multiple criteria for assessment (Giroux, 2006; Pfeffer, 1981; Wijen, 2014). The goodness or appropriateness of certain rules, structures, or practices is socially constructed (Berger & Luckmann, 1966), and a low degree of consensus gives organizations the opportunity to deviate from institutional prescriptions. This is an important connecting link between practice-level (ambiguity) and institutional-level characteristics (multiple interpretations and contestation). In other words, ambiguity residing in the practice itself is manifested or maximized when it meets a low level of social consensus, thereby facilitating ceremonial conformity. For example, from a study on the substitution response to institutional pressures by Okhmatovskiy and David (2012), organizations were able to substitute the government-sponsored code of corporate governance with their own code, since not every line of the code's content was supported by strong consensus among various stakeholders. There could be a certain degree of ambiguity in terms of the appropriateness of the code's content, since the notion of good corporate governance is a moving target, and different organizational constituents could have alternative interpretations (Hambrick, Werder, & Zajac, 2008). Although the standard varies, according to the contexts, there are some situations in which there is an agreed-upon definition of good corporate governance practice, while other situations do not have such consensus (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Fiss & Zajac, 2004).

Second, linguistic vagueness (e.g., the use of general terms as opposed to detailed descriptions) is another source of ambiguity. For instance, when organizations are forced to follow affirmative action, many employers may be reluctant to follow such a policy, since they believe it could restrict managerial discretion and could harm efficient and rational business practices (Edelman, 1992). In response to this institutional pressure, organizations have exploited the linguistic vagueness of affirmative action and have superficially adopted affirmative action offices or equal employment opportunity policies.

A high level of ambiguity opens up an opportunity for organizations to engage in ceremonial conformity (Park, Sine, & Tolbert, 2011). When certain institutional requirements are procedurally focused (vis-à-vis focused on outcomes) in conjunction with weak enforcement mechanisms (Edelman, 1992; Giroux, 2006), ambiguity is amplified, and organizations can fine-tune the fidelity and/or extensiveness.

Proposition 2: *A high level of ambiguity with regard to an organizational practice will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

Murkiness. The present paper defines the murkiness of an organizational action as the degree to which an organization's action is observable by involved audiences (Jiang & Bansal, 2003; Wijen, 2014). In the case of ceremonial conformity toward an organizational practice, murkiness (or invisibility) corresponds to the implementation stage after the acceptance (adoption) stage (Gondo & Amis, 2013). There are varying degrees of observability across different organizational actions in terms of how much organizations actually use this practice. If an organization can exploit murkiness when facing institutional pressure with which they are reluctant to comply, they can alter the level of the fidelity and/or extensiveness. What enables organizations' use of ceremonial conformity strategies are organizational stakeholders' confidence and good faith, as well as the lack of close inspection of organizational operations (Meyer & Rowan, 1977). The previous literature has suggested certain sources behind murkiness, such as complexity, information asymmetry, as well as constituents' reluctance to spend energy on close inspection, to name a few (Crilly et al., 2012; Pfeffer, 1981). These sources can be categorized into three different levels. First, at the practice level, the characteristics of a focal practice itself determine, by and large, the level of murkiness, since different actions/practices basically have different levels of exposure. If a certain organizational action involves people, tacit knowledge, and multiple processes, it is much more complex and harder to discern than other actions (Kedia & Bhagat, 1988). For this set of complex actions or practices, constituents face uncertainty; this, in turn, makes it harder for audiences to observe. In addition, it can be a function of organizational output, in that organizations producing intangible outputs (e.g., consulting firms) are more difficult to observe than organizations producing tangible ones (e.g., manufacturing firms). Although organizations can hide their deviant behaviors and pretend to comply, if these actions are clearly and easily observed by interested constituents, organizations have less opportunity to alter the components (fidelity) and/or the application range (extensiveness) of their compliance behaviors.

Second, at the organizational level, organization-specific characteristics may strengthen or weaken the invisibility of the same type of action across different organizations. Usually there exists a certain degree of information asymmetry between insiders and outsiders, as well as between top-tier managers and others (Crilly et al., 2012; Kulkarni, 2000) that makes organizational members and other field constituents "unable to discriminate reality from symbol" (Pfeffer, 1981: 28). This information asymmetry varies across different organizations. For example, one can imagine that there are significant differences in murkiness with respect to the hiring process of publicly listed companies and that of the Central Intelligence Agency (CIA).

Third, at the field level, accumulated evidence shows that the strength of institutional-level monitoring (especially by strong audiences) can either increase or decrease murkiness, such that a high level of external monitoring will decrease such murkiness (Marquis & Qian, 2013; Short & Toffel, 2010). In recent empirical studies, scholars have found that governmental surveillance leads to a substantive commitment to institutional requirements (Marquis & Qian, 2013; Short & Toffel, 2010). In addition, monitoring by institutional stakeholders regarding firms' corporate social responsibility activities is an important predictor of substantive/symbolic organizational behaviors (Campbell, 2007). Field members may not want to spend additional time or effort in gathering, processing, and directly assessing organizational actions (Pfeffer, 1981). For some organizational audiences, just a sign or gesture of compliance may suffice (Westphal & Zajac, 1998). Based on the above reasoning with regard to the murkiness of an organizational practice, the current paper leads to the following proposition.

Proposition 3: *A high level of murkiness with regard to an organizational practice will lead to subsequent ceremonial conformity (through the adjustment of fidelity and/or extensiveness).*

Asymmetric impact of ambiguity and murkiness. Although I argued above that ambiguity and murkiness largely determine fidelity and extensiveness, I further argue that they have asymmetric impacts on an organization's adjustment of the two dimensions. In other words, organizations can adjust both the fidelity and extensiveness, to a large extent, if they can exploit both high levels of ambiguity and murkiness. However, if the level of one factor is high, while that of the other factor is low, an organization's ability to adjust both fidelity and extensiveness will be constrained, to some extent.

Insert Figure 1-2 about here

First, when an organization faces a high level of ambiguity and a low level of murkiness with regard to a certain organizational practice that it is institutionally pressured to adopt, I argue that the organization is still able to adjust the fidelity. Ambiguity results from, by the above definition, uncertainty and indeterminacy regarding the means-ends relationship of a certain practice (Wijen, 2014). In other words, it refers to the lack of a clear standard on desirable actions (Thompson, 1967). Therefore, even when there is the risk of being monitored and/or investigated by audiences, organizations can demonstrate and explain the appropriateness of alternative rules, structures, or practices by leveraging opportunities offered by ambiguities in the means-ends relationships of the practice (Oliver, 1991; Wijen, 2014). For example, an organization may restrict its social actions to donations or sponsoring activities rather than involve itself in a broader range of activities when facing an institutional pressure regarding corporate social responsibility, since the necessity and relevant scope of corporate social responsibility is an ongoing debate. The organization will be able to adjust the contents of its social actions by benefitting from the ambiguity inherent in the meaning of corporate social responsibility (Jamali, Lund-Thomsen, & Khara, 2015). However, even when an organization can exploit the ambiguity residing in the focal practice, if the organization's behavior with regard to the focal practice is highly visible to interested stakeholders, it is less of an option for the organization to adjust (narrow down) the organizational scope to which the focal practice is applied.

Proposition 4a*: A high level of ambiguity and a low level of murkiness with regard to an organizational practice will lead to subsequent ceremonial conformity through the adjustment of fidelity rather than of extensiveness.*

Second, in the case of a high level of murkiness in concert with a low level of ambiguity, an organization's ability to adjust the fidelity and extensiveness will be different from the relationship predicted in proposition 3a. If a clear standard of action is set (low ambiguity), adjusting the fidelity level could be risky. When the organizational action is evaluated by interested stakeholders, justification of the organization's action will be less available due to the clear standard. Even when the logic or mechanism between the requested actions and the desired goal is relatively sound and easy to understand, however, organizations can hide behind the curtain of a high level of murkiness and can decrease the unsavory influence of such actions on them by narrowing down the organizational scope, which is influenced by the adopted structure, policy, or practice (e.g., Luoma & Goodstein, 1999; Tilcsik, 2010). This is in line with Ansari et al.'s view (2010), which considers the entire decoupling of adoption from implementation as an extreme adjustment of extensiveness. If the organizations' actions are covered by murkiness, they not only have limited options in decreasing the fidelity level, but also have less incentive to spend time and effort in contemplating the composition of the contents (fidelity). They only need to adjust the degree of extensiveness, depending on the level of murkiness. For instance, even though the rules of operating production facilities so as not to harm the environment are well specified, many industrial firms' actual operations are not easily observable. In many cases, firms' production systems and facilities are shielded from external observation in the name of "confidential business information." By the same token, although everyone knows that the unjust use of the private information of customers or citizens by companies or governmental agencies is illegal, the invasion of privacy by various types of organizations is a perennial problem, since these actions are barely observed by stakeholders. Audiences and other stakeholders can realize actual organizational actions only when, for example, whistle-blowers disclose the organizational behaviors. Under these circumstances, organizations may confine the organizational scope to which focal practices are applied by using observational barriers.

Proposition 4b*: A low level of ambiguity and a high level of murkiness with regard to an organizational practice will lead to subsequent ceremonial conformity through the adjustment of extensiveness rather than of fidelity*

DISCUSSION

The present paper contributes to the structure-agency debate (David & Bitektine, 2009; DiMaggio, 1988; Heugens & Lander, 2009) by elaborating on ceremonial conformity as a form of agency between full compliance and the rejection of institutional pressures. Building upon previous literature regarding strategic responses and the agency of organizations, the current paper argues that organizations may engage in the use of ceremonial conformity, depending on a combination of motivational and contextual factors. In pursuit of organizational legitimacy, ceremonial conformity is a buffering mechanism for those organizations encountering conditions of institutional pressures with which they are unwilling to comply. This is an elaboration of the literature stream on the strategic responses of organizations accrued since Oliver (1991) in terms of demonstrating the heterogeneity of ceremonial conformity (strategic responses in general), developing and incorporating practice-level antecedents, and emphasizing the bundling effects of various antecedents regarding ceremonial conformity.

By expanding the dichotomous conceptualization of decoupling and looking at ceremonial conformity as falling into a continuum, the current paper also contributes to the decoupling literature. In early studies, decoupling tended to be narrowly defined as involving claim without action or separation of adoption and implementation. Furthermore, these early studies shed light on a single practice or a policy and focused on organizational and institutional characteristics that enhance or discourage decoupling of the focal practice or policy. By building upon the theoretical elaboration of practice variation studies, I suggest in this paper that various organizational strategic responses are far from discrete strategies, but rather are variations within a continuum obtained through the adjustment of fidelity and extensiveness. Through a consideration of the pros and cons of compliance-resistance (Crilly et al., 2012; Etzion, 2013; Tilcsik, 2010), organizations determine the degree of compliance (resistance) from the original institutional requirements. This degree of resistance is the source of qualitative differences among various ceremonial compliance strategies, which can be a function of fidelity and/or extensiveness. This paper suggests that, depending on the relative degrees of fidelity and extensiveness, various modalities of decoupling and ceremonial conformity can be used by organizations; these include substitution response (Okhmatovskiy & David, 2012), selective compliance (Fernández-Rodríguez et al., 2004; Jamali et al., 2015; Krambia-Kapardis & Psaros, 2006), and selective coupling (Pache & Santos, 2013). Put differently, the current paper contributes to the decoupling literature by extending the scholarly focus from whether or not to decouple to the particular mode by which organizations decouple and ceremonially conform to institutional demands.

This paper also suggests compliance costs and benefits as motivational factors, and ambiguity and murkiness representing the constraints of ceremonial conformity. These concepts contribute to our understanding of ceremonial conformity (and agentic organizational behavior in general) by providing the key mechanisms that lead to various ways of resisting to unpalatable practices. Previous works have illuminated the importance of organizational- and/or institutional-level contingency factors as preconditions of ceremonial conformity. In a recent conceptual study of the reasons for means-ends decoupling, Wijen (2014) has suggested three important theoretical conditions – namely, causal complexity, practice multiplicity, and behavioral invisibility – that affect organizational substantive compliance, as well as the eventual achievement of adoption goals. Although Wijen's concepts are consistent with the current study's key constructs, he considers these three constructs as characteristics of a certain field. Through these studies, we understand what organizational conditions and environmental contexts are conducive to organizational decoupling. On top of the contributions of these works, the current paper argues that the fundamental preconditions stem from the characteristics of the focal practice itself (Oliver, 1991), and these factors determine the relative levels of fidelity and extensiveness. Through the degrees of practice ambiguity and murkiness, this paper proposes what types of practices are more or less likely to be decoupled.

Furthermore, I argue that these practice-level factors go hand-in-hand with the contingency factors in predicting organizations' adjustment of fidelity and extensiveness. As suggested above, the practice characteristics themselves are linked to organizational- or institutional-level factors. As an open-system (Scott, 2003), organizations are embedded in multiple institutions, and the meanings and values around organizations are socially constructed (Berger & Luckman, 1966). Since the ambiguity of means-ends relationships is also subject to the social consensus of field members, it may create multiple interpretations and contestations (Giroux, 2006; Wijen, 2014). Furthermore, institutional environments can either increase or decrease the level of murkiness through active monitoring. Wijen (2014) argues that field opacity hinders the achievement of the original goals regarding a practice and suggests a systemic mindset and the internalized goals of adopters and niche institutions as solutions. In this regard, the decision to use a ceremonial conformity strategy, as well as the degree of practice adjustment, is a multi-level phenomenon occurring at the intersection of the practice, organizational, and institutional levels.

Future research directions

There are several interesting avenues that await attention from future research. First, although the current paper does not theorize the consequences of organizations' ceremonial conformity, since the focus of this paper lies in the antecedents, it may be interesting for future researchers to address this issue. Although some previous work has dealt with the legitimacy effects of ceremonial conformity (Meyer & Rowan, 1977; Oliver, 1991; Suchman, 1995), such empirical work has been scant (see Westphal & Zajac, 1998 for an exception). It would be interesting to examine whether "window-dressing" activity can actually guarantee organizational legitimacy. Relatedly, the dangers of ceremonial conformity have been rarely examined (Marquis & Qian, 2013), even though "window-dressing" activities may put organizations at risk of being caught and punished (Oliver, 1991). In this sense, the outcomes of ceremonial compliance, either positive or negative, can yield useful managerial insights. Related to the current paper's argument – how different levels of ceremonial conformity lead to organizational outcomes – can additionally be an interesting future research topic.

This paper suggests ambiguity and murkiness as two practice-level characteristics that open opportunities for organizations to become involved in agency through ceremonial conformity. Giroux suggested (2006) that the locus of ambiguity lies mainly in the equivocality of texts and language, which in turn, allows a multitude of actions, since it creates various alternative interpretations by different actors (namely, interpretive viability). In addition to the ambiguity, however, Giroux stressed generality (a superordinate concept such as *dog vs. animal*) and vagueness (naturally indistinctive expressions such as *plenty of*) as sources of interpretive viability. If ambiguity can be strategically used by organizations in order to cope with institutional pressures (Eisenberg, 1984), organizations' adjustment of practices may be reflected by these subcomponents of ambiguity. For example, means-ends ambiguity creates more room for fidelity adjustment, while alternative interpretations arising from generality could be more conducive to adjusting extensiveness. By a similar token, I suggest that practice murkiness can be influenced by organization- and field-level circumstances. Future research can yield valuable insights for subsequent organizational actions through a decomposition of these two concepts. In addition, from the perspective of parties who wish to disseminate a practice (e.g., government agencies), strategies for enforcing compliance could be fine-tuned, depending on the sources of interpretive viability. That is, confusion in causal relationships requires better justification of the logic and benefit of the focal practice, while specifying the scope would be useful in the case of generality-driven uncertainty. Future studies in this avenue can yield practical implications for the active disseminators and rule-enforcers of organizational practices.

The theorizing of the current paper also poses a question on the sustainability of ceremonial conformity (Boxenbaum & Jonsson, 2008). How does ceremonial conformity come to an end? This is an interesting, but untapped research question waiting for further theorization and testing. Being caught by external parties could be the result of increased clarity of organizational actions or of the heightened vigilance of external constituents, since these changes will alleviate information asymmetry between parties (Pfeffer, 1981). Another possibility may arise from internal members' resistance of decoupled structures (Boiral, 2007; MacLean & Behnam, 2010). At the individual level, the use of ceremonial conformity may bring about cognitive dissonance for employees (Festinger, 1957), which may even trigger a façade of conformity (Hewlin, 2003). Some employees who are hired to conduct "window-dressing" activities may function as a change agent by substantively conducting the focal activities (Edelman, 1992; Tilcsik, 2010). Alternatively, organizations may face accumulated inefficiency due to complexity emerging from the separation of symbolic structures and substantive activities (Seo & Creed, 2002). These factors may lower the confidence and good faith of organizational stakeholders regarding the decoupled structure. Given that the levels of ambiguity and murkiness determine the use of ceremonial conformity, we may think that lowering these levels can be an immediate condition for decreasing or removing ceremonial conformity.

There are also some empirical prospects for the future study of ceremonial conformity. The first issue is related to the measurement and empirical testing of the model proposed in this paper. It is very difficult to operationalize some concepts, such as the perceived compliance costs or degree of ambiguity of a certain organizational practice. However, we may be able to use both subjective and objective measures in order to operationalize these constructs. Surveys are frequently used in micro studies, and are generally considered to be adequate for individual-level perception measures. For collective- or field-level measures, Delphi methods can be used (Munier & Rondé, 2001), such that independent experts, who respectively represent various field members, can subjectively assess the level of compliance costs and ambiguity level for a certain practice. In addition, secondary measures, such as the frequency and tone of media on a certain issue, can also be used, considering the fact that media form the arena through which social consensus and collective legitimation are processed (Pollack & Rindova, 2003).

Second, in terms of empirical testing, a set theoretic approach (Crilly et al., 2012; Fiss, 2007, 2011) could be a promising method, since it assumes a configurational approach based on the idea of equifinality. This approach assumes that the presence or absence of certain factors makes a certain variable meaningful (Fiss, 2007). This assumption can be applied to compliance costs, ambiguity, and murkiness. Bundles of these constructs can predict the occurrence of various ceremonial conformity strategies. Rather than the mere presence or absence of constructs, a fuzzy-set analysis can also incorporate the degree of such constructs (Fiss, 2011), making it well suited for empirical testing of the current paper's model. Of course, even with the traditional variance model, the relationship between practice-level constructs and other contingency factors can be operationalized and tested by using interaction effects.

CONCLUSION

Although institutions and structures strongly affect organizational actions, they are far from being completely deterministic (Thornton, Ocasio, & Lounsbury, 2012). As much as adopting or rejecting a practice sends a signal of conformity (or nonconformity) to audiences, taking a strategy in-between is also an important exchange of signals. In almost all areas of organizational life, value-laden and socially rooted exchanges of meaning occur. Organizations’ use of ceremonial conformity is an important buffering mechanism that can ease tensions between complete compliance with institutional pressures and the agency of actors. As the current paper suggests, applying fidelity and extensiveness, as well as compliance costs, ambiguity, and murkiness can reveal the black box of variations and predictors of ceremonial conformity, which may provide insights that are relevant for academics and managers alike.

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Figure 1-1. Research Model

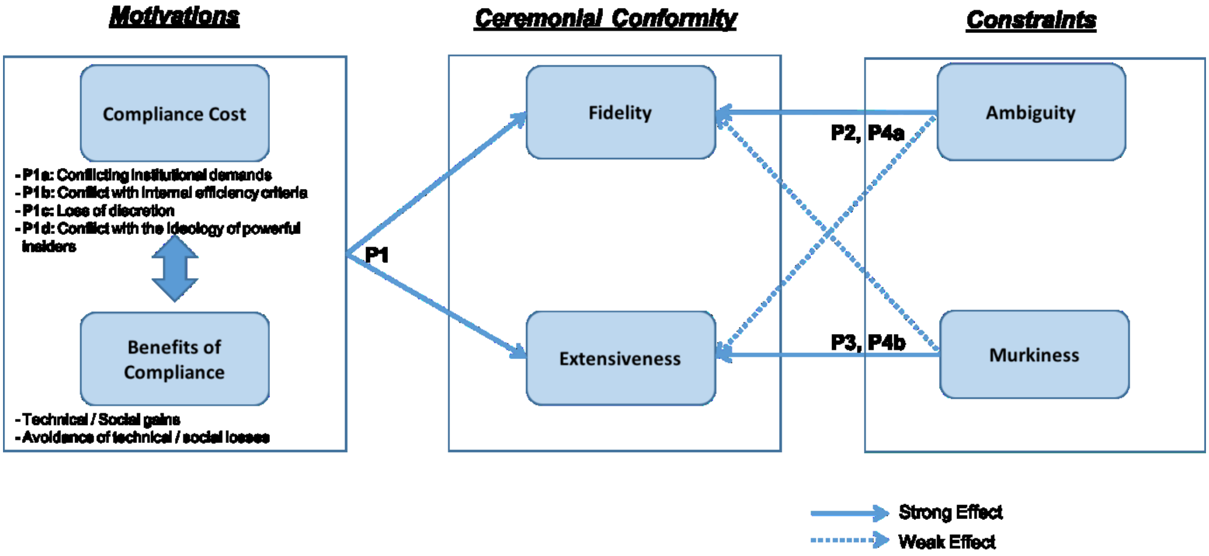
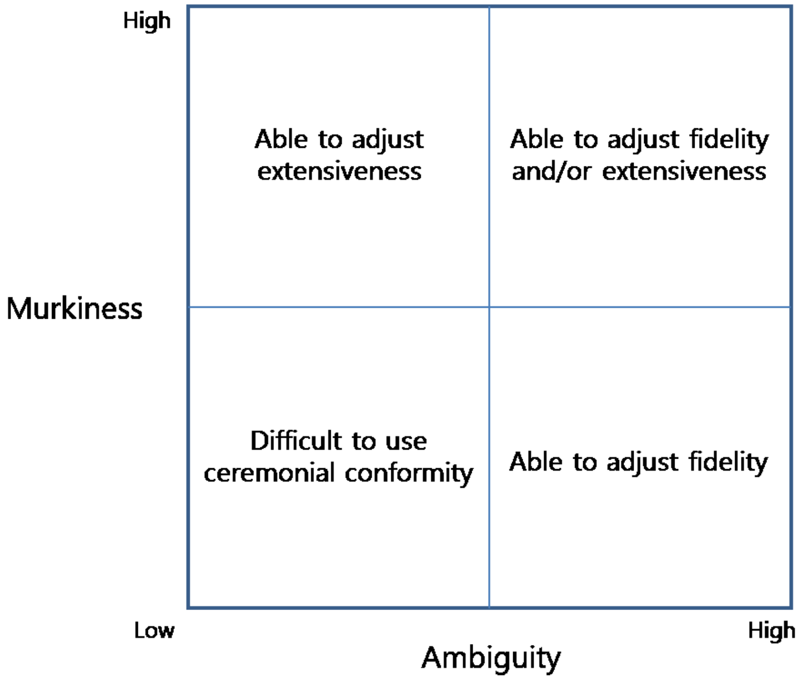


Figure 1-2. Asymmetric Effect of Constraints on Ceremonial Conformity Dimensions



Essay 2

How Organizations Respond to Government-Driven Practices: Status-Based Practice Adoption

Abstract

How do organizations of different status respond when a new organizational practice that potentially has an impact on the current status hierarchy is introduced by the institutional environment? In bridging the literature on status and agency in institutional theory, the current study suggests that organizations of different status adopt and implement practices differently depending on the level of practice ambiguity, since such ambiguity either facilitates or constrains organizational discretion over the use of the practice. This paper argues that middle-status organizations extensively implement a practice with low ambiguity that minimizes the discretion gap with their high-/low-status counterparts. In contrast, both high- and low-status organizations extensively implement a practice with high ambiguity that allows for more discretion over the use of the practice itself. By examining universities' adoptions of two new admission practices in Korea, this paper contributes to the status literature by extending the concept of middle-status conformity and discusses the implications of these findings.

Keywords: Organizational Status; Status Mobility; New Practice Adoption; Practice Ambiguity

INTRODUCTION

Status is one of the most important factors affecting conformity behavior. Defined as an external perception or evaluation of an actor's position compared with other actors who have the same function (Podolny, 1993), status is a position that an actor occupies within a social system (Jensen, Kim, & Kim, 2011). Organizations occupying different socio-political positions, or having different degrees of status, tend to: 1) interpret situations or issues differently; 2) be exposed to different types and levels of pressures; and 3) have dissimilar levels of aspirations. They therefore develop distinctive strategies to cope with organizational tasks (Jensen et al., 2011; Phillips & Zuckerman, 2001). Phillips and Zuckerman's "middle status conformity" (2001) is an influential concept regarding the relationship between organizational status and compliance. In their study of two types of markets (the Silicon Valley legal service market and the market for investment advice), they suggest that middle-status actors are those who feel the strongest conformity pressures due to role incumbency and aspiration for (upward) status mobility. On the contrary, high-status actors feel secure about their group membership, which gives them some discretion of deviation. Low-status actors, in contrast, cannot be considered as in-group members, no matter what actions they take; thus, they do not have the motivation to conform to group norms.

As much as actors' aspirations for group inclusion and risk perceptions of exclusion increase, actors' discretion for deviation correspondingly decreases. This is the primary reason why middle-status actors have a low level of discretion over their actions, compared with high- or low-status actors. However, this image of middle-status conformity (or high-status deviation) does not mean that high-status actors enjoy an unlimited amount of discretion over their actions. The conception of middle-status conformity focuses on normative pressures, particularly professional norms that distinguish in-group members from out-group ones. Phillips and colleagues (2013) observed that high-status actors are also not free from conformity pressures, particularly when their actions could be considered as a breach of “loyalty norms” with important clients, even when these clients are not suspicious about the high-status actors’ capability to provide high-quality service and products. Podolny (2005) had similarly suggested that high-status jewelry producers could not enter into the turquoise jewelry market, even when the market became highly popular and profitable, since the cheap and low-quality image of turquoise (which is often sold in highway-side souvenir shops in Arizona along with souvenir mug cups and key holders) was inconsistent with the organizational identity of high-status producers. The Samsung group, a high-status business group in South Korea, faced severe criticisms from Korean society when they entered into the bakery business because this market has been regarded as a battlefield of small- and medium-sized companies and individual mom and pop stores. As such, there are various sources of conformity pressure for organizations, such as clients, identities, and the broader society, in addition to the professional group norms by which high-status organizations’ actions could also be bounded. It is an interesting question whether organizations that have different status respond differently, depending on the source and characteristics of the pressures.

When institutional environments require organizations to adopt new practices that may have an impact on status mobility and actors’ discretion, how would organizations that have different status respond? Practice adoption is an important method of organizational change, and how organizations use focal practices is strongly affected by the interface between the characteristics of the adopting organizations and of the adopted practices (Ansari, Fiss, & Zajac, 2010; Fiss, Kennedy, & Davis, 2012). Particularly when a new organizational practice is introduced by regulatory authorities, the practice does not have a fact-like position yet, and long-held professional norms are lacking. However, the regulatory pressure is oftentimes not negligible. Since dissimilar organizational status is associated with unique aspirations and cost-benefit structures (Han, 1994; Jensen et al., 2011; Phillips & Zuckerman, 2001; Podolny, 2005), organizations of different status are likely to have dissimilar perspectives toward different organizational practices. Given that organizations' status-based position (in)security and their attitude toward status mobility differentiate organizations with dissimilar status, an interesting research question to explore would be how these organizations respond differently to institutionally requested or recommended practices depending on the distinctive characteristics of these new practices. To this end, the current study sheds light on the role of practice ambiguity. According to the institutional and agency literature, practice ambiguity provides organizational discretion (Goodrick & Salancik, 1996; Oliver, 1991; Pfeffer & Salancik, 1978). Although institutions are a strong constraining mechanism in organizational life, ambiguity residing in practices about how and when the practice should be used creates room for organizational discretion. This discretion not only affects organizations' initial discretion level, which is predetermined by organizational status; it also affects the focal practice that can be used within organizations. In this situation, organizations can deviate without losing legitimacy when ambiguity is high. Therefore, I argue that when institutional environments pressure organizations to adopt a practice, organizations of different status will have varying attitudes towards different practices, based on the level of practice ambiguity. Furthermore, I consider the role of organizational dependence on regulatory authorities. When organizations are largely dependent on the government for critical resources, they are likely to show compliance to regulatory pressures (Okhmatovskiy & David, 2012; Oliver, 1991; Pfeffer & Salancik, 1978). I argue that the relationship between organizational status and the implementation degree of focal practices will be moderated by the degree of organizations' dependence on the source of focal institutional pressure (regulative authorities).

In order to improve our understanding of the relationship between organizational status and organizational attitude toward institutionally requested practices with varying levels of ambiguity, the current study explored universities' adoption and implementation of two new admission policies in Korea between 2007 and 2013. Given that universities have a strict status hierarchy, and given that the two focal practices with different ambiguity levels were simultaneously disseminated by regulatory authorities, this was a unique setting to test my arguments. The results of the current study contribute to current theories of organizational status by extending the concept of middle-status conformity. This paper suggests that middle-status conformity can be contextualized, depending on the source of pressure and how organizations interpret this pressure. In this process, whether the focal practice constrains or allows organizational discretion affects organizations' status-based practice adoption and implementation.

EMPIRICAL CONTEXT

I will address the abovementioned research questions in the context of Korean universities' implementation of two new government-driven practices: the admission officer (AO) policy and the equal opportunity admission (EOA) policy. Enthusiasm for education is extraordinarily high in Korea, and this factor has been cited by foreigners as the main driver of Korea's rapid economic development. The Huffington Post reported that U.S. president Barack Obama lauded South Korea's educational system several times, and even insisted that the American educational system should emulate the Korean model (Haimson, 2011). However, there have been criticisms about the Korean educational system as well, since it has created cutthroat competition among students and has brought about extravagant private educational expenses in Korean households. Since individuals' social status, job selection opportunities, and wealth are all heavily dependent on their educational level (and more specifically on the university from which each individual graduates), the final educational goal of Korean parents is to get their children into high-status universities. Therefore, Korean parents spare no costs or efforts for this purpose. This has created debates on educational equality as well. As parents competitively spend more money on their children's education, students from low-income families cannot enjoy the same educational opportunities, in terms of both quality and accessibility. In addition, as a side effect of the proliferation of the private education market, public (secondary) education has become devastated. For these historical and social reasons, designing or changing university entrance systems is a hypersensitive sociopolitical issue in Korea, in that literally every household with children is vigilantly watching the related policies.

Excessive educational expenses, the devastation of public education, and mounting educational inequality have been perennial problems for educational authorities. As solutions to these problems, the Korean government and educational authorities tried to disseminate two admission policies in universities and colleges[4]: an equal opportunity admission (EOA) policy and an admission officer (AO) policy. The EOA policy gives an advantage to candidates from isolated regions or with a low social status. Therefore, educational equality is an important element of the EOA policy. This policy is conceived as a social responsibility of universities, and the main motivation for universities to adopt this policy lies in the reputational gains coming from their compliance with this socially responsible policy. Only 32 universities in my dataset had adopted this policy by 2008 (adoption rate = 18.7%); however, the number of universities adopting this policy increased to 168 in 2013 (adoption rate = 94.3%). The purpose and procedure of the EOA policy has low ambiguity, given that what universities have to do is simply allocate a certain proportion of their admissions for this purpose. In addition, audiences can easily observe the implementation of this policy, since it

[4] In 2007, Lee Myung Bak was elected as the president of Korea. Lee Myung Bak's administration emphasized liberalization of university education as a keynote policy and providing universities with more discretion over student recruitment was an essential part. Since the new admission policies were disseminated based on the presidential election pledge, political pressure was an additional influence.

is largely outcome-oriented. However, similar to the long and active debates about affirmative action in the U.S., it has created controversy among various audiences. One of the most critical disagreement rationales revolves around the issue of reverse discrimination. By providing advantage to candidates who meet the abovementioned conditions, others who have higher examination scores but live in the cities and who do not belong to low-income households could lose the opportunity to enter certain (high-status) universities.

On the contrary, the AO policy is a new way of recruiting university students based on multidimensional evaluations that are screened by professional admission officers rather than merely relying on students' national college entrance examination scores. Modeled after foreign countries' admission officer policies (particularly the American system), the government introduced the AO policy in 2007. It requires universities to hire and train professional admission officers to play a major role in new student admissions. The government wanted to solve the social problem of households' extravagant private education expenses arising from cutthroat competition for (high-status) university admissions by disseminating the AO policy. For this purpose, the government assessed universities' AO policies and systems regularly. Based on the evaluations, the government provided universities with financial support as a reward and endorsed more discretion in designing universities' own AO programs. This financial reward became one of the strongest motivations for universities to adopt the AO policy. If selected as a "leading AO university," the reward increased exponentially. Due to the carrot provided by the government, the AO policy diffused rapidly across universities: the first 10 adoptions occurred in 2008 and the number of adoptions rose to 126 (63% adoption rate) in 2013.

In spite of the rapid adoption of the AO policy, there were several problems as well. First, the ambiguity of the AO practice was high. This practice requires designing multidimensional evaluation procedures rather than "solely" relying on exam scores.

However, there were no agreed-upon dimensions or weights to be used in the AO policy. Even though universities pre-announced their evaluation criteria, expressions such as "creativity" or "passion" were linguistically ambiguous and hard to objectively measure. Students and parents found it difficult to interpret the admission criteria. In addition, some universities still use students' exam scores as one of the most important elements of the evaluation scheme. Another problem of the AO policy, compared with the traditional student admissions policy, arose from its inefficiency. Universities had to invest in hiring professional AOs and establishing their own AO system. Since the AO policy significantly increases the amount of documentation that students must submit in their application packages compared with the traditional admission policy, screening candidates, in and of itself, was an arduous task. The former admission officer I had interviewed lamented the inefficiency of the AO policy[5]. The distinctive characteristics of the AO and EOA policies are described in Table 2-1.

Insert Table 2-1 about here

To summarize, even though both AO and EOA policies were introduced and disseminated by the government, the characteristics of each practice and the reasons for their controversy, if any, have been quite different. The AO policy can be characterized as more ambiguous than the EOA policy due to the process-oriented versus outcome-oriented nature of the two policies, respectively (Kedia & Bhagat, 1988). In addition, the AO policy faces potential resistance from universities due to its cost-effectiveness issues; on the other hand, the EOA policy faces the potential criticism regarding the issue of reverse discrimination. As a result, variations exist in the degree of implementation of these two government-driven admission policies. These variations provide a suitable context to study the sources of

[5] Information on interviews are presented in the Methods section below.

implementation level of new government-driven practices, since various universities show different adoption motivations toward these practices, depending on their distinctive status.

LITERATURE REVIEW

Organizational Status and Conformity

Organizational status is defined as a relative location within a given social system (Bitektine, 2011; Deephouse & Suchman, 2008; Jensen et al., 2011). The advantages and disadvantages of status have been widely studied and understood (e.g., Fombrun & Shanley, 1990; Podolny, 1993, 1994; Phillips et al., 2013; Phillips & Zuckerman, 2001; Podolny, 2005). Traditionally, scholars have paid great attention to the benefits of (high) status. For example, status serves an uncertainty-reducing function by signaling the quality of focal organizations (Benjamin & Podolny, 1999; Podolny, 1993, 1994, 2005). In addition, high-status organizations can enjoy a wider latitude of action when facing conformity pressures, since their field membership is taken-for-granted and is not threatened by minor deviant behaviors (Phillips & Zuckerman, 2001). Status often function as an asset that can be used in different contexts (Stuart, Hoang, Hybels, 1999). However, status may also bind actors by delineating the radius of action (Podolny, 2005). For instance, high-status law firms' diversification into plaintiffs' personal injury law could be considered as intolerable by their major clients, not only because this area is casually regarded as the playground of low-status firms, but also because it creates a conflict among audiences (Phillips et al., 2013). In addition, status leaks occur as well (Podolny, 2005). An organization's status is affected by the status of others with whom the focal organization has transactions or contact. When high-status organizations are associated with low-status ones, the former faces the risk of status contamination. For this reason, high- status jewelry brands are reluctant to enter into the turquoise jewelry market, in which low- status brands have been displayed, in spite of the burgeoning demand for turquoise products (Podolny, 2005).

Likewise, organizational status has a strong influence on the focal organization's behaviors (Phillips et al., 2013; Phillips & Zuckerman, 2001). First, organizations of different status are subject to different sets of external expectations and tend to have different aspirations. Status provides organizations with a unique identity and the perception of a group membership (Jensen et al., 2011). Organizations often observe other organizations with similar status and consider them as a reference target (Festinger, 1954; Galaskiewicz & Burt, 1991; Lounsbury, 2001). For instance, in Lounsbury's (2001) research on the creation of recycling programs in universities and colleges, he shed light on the influence of connections to broad field-level institutions (Student Environmental Action Coalition) regarding the creation of recycling management programs. Lounsbury noted that universities adopted recycling programs following other universities of similar status, and that high-status universities created more full-blown recycling programs equipped with full-time staff. Therefore, status involves identity (Jensen et al., 2011; Phillips & Zuckerman, 2001), and organizations of different status form dissimilar motivations based on different issue interpretations, even when facing the same pressures. Second, organizations tend to have distinctive cost-benefit structures, even for similar types of actions, depending on their status (Jensen et al., 2011; Podolny, 1993, 1994, 2005). Since status has a signaling function of quality, high-status organizations will have lower transaction costs, compared with middle- or low-status organizations (Podolny, 1993, 1994, 2005). High status drives down the time and expenses required to justify an organization's ability and its product/service quality, thereby providing advantages over low-status organizations by means of low marketing, advertising, and financing costs (Fombrun & Shanley, 1990; Podolny, 2005; Zuckerman, 1999, 2000). Benjamin and Podolny (1999) found that high-status wineries were able to charge a higher price for similar quality wines compared with their low-status counterparts. However, the cost associated with status includes not only the physical costs, but also social costs such as in the case of high-status law firms' limitation of diversification areas (Phillips et al., 2013; Podolny, 2005). Therefore, organizational status delineates the boundary of organizational actions through the varying costs and benefits of certain actions (Podolny, 1993).

Middle-status conformity has been an influential conception with regard to the relationship between organizational status and compliance (Phillips & Zuckerman, 2001). This conception assumes a strong professional norm that defines appropriate or inappropriate actions within a given field (Phillips & Zuckerman, 2001). Particularly, when the field is stable, organizations are expected to act in accordance with taken-for-granted rules in order to claim membership in the given field. In this situation, middle-status organizations feel the strongest conformity pressure due to their aspiration to be included in (high-status) membership and their fear of incurring penalties (Durand & Kremp, 2016; Han, 1994; Perreti & Negro, 2006; Phillips & Zuckerman, 2001). High-status organizations with stable and taken-for-granted field membership can safely deviate from institutionalized rules or norms. For example, Sherer and Lee (2002) found that elite law firms were able to deviate from the industry norm with regard to their lawyer recruitment policy and could experiment with an innovative practice by using their legitimacy as top-tier players. On the contrary, low-status organizations are less likely to have aspirations for and the possibility of upward mobility; in addition, their actions do not attract attention.

Although these high-status organizations have more discretion over their actions when professional norms are concerned, their actions may be bounded by institutional pressures coming from various sources. As mentioned above, loyalty norms with key clients strongly limit their deviant behaviors (Phillips et al., 2013). The possibility of status contamination may also affect high-status organizations' decisions (Podolny, 2005). For example, as in the case of the Samsung group's diversification into a market field where a conglomerate firm's entrance could be regarded as illegitimate, high-status organizations may face criticism from society. These studies reveal that high-status deviations may be curbed under the existence of other sources of conformity pressure and may illuminate the possibility of contextualizing the middle-status conformity conception. When institutional pressures in the form of new organizational practices arise from regulatory sources, and these practices potentially impact status mobility and organizational discretion, how do organizations of different status respond?

Status-Based Practice Adoption and Implementation

As suggested above, organizational status is related to many distinctive features. Due to unique aspirations, identities, and locations within the social structure, organizations have distinctive standpoints regarding their status mobility and different levels of discretion. In the case of new organizational practices requested by institutional environments, organizations with different status are likely to have distinctive concerns. High-status actors, who have position security and enjoy a high level of discretion over their actions, consider maintaining the current status hierarchy within which they are embedded and their own discretion as important values. Unless the extent of their deviation crosses the line of what is considered 'acceptable', high-status actors feel secure about their position, and what they consider as a threat is the devastation of the current status hierarchy itself. If they perceive a new practice as threatening the current status hierarchy, they will be reluctant to use that practice. Middle-status actors, on the other hand, are likely to consider increasing the possibility of upward mobility and decreasing the risk of downward mobility as important. By the same token, they are interested in gaining and not losing legitimacy because organizational legitimacy can affect both upward and downward status mobility. Due to the possibility of status mobility in both directions, middle-status organizations enjoy a low level of discretion.

Lastly, low-status actors, whose position is realistically unalterable, show low interest in their status mobility. Rather, they are interested in not losing their discretion and gaining tangible benefits, such as financial rewards. In a general sense, organizations are likely to show favorable attitudes toward a practice that is consistent with their standpoint about status mobility and organizational discretion. This consistency, or fit, between an organization and a practice characteristic is an important condition for whether and how a certain practice is used by organizations (Ansari et al., 2010; Fiss et al., 2012; Gondo & Amis, 2013). As organizations of different status are affected by different sets of expectations and levels of aspiration, they are likely to have different positions regarding different types of institutional pressures. When facing requested organizational practices, organizations of different status may also engage in an interpretive process with regard to advantages and disadvantages (Etzion, 2014; Litrico & David, 2016). As the key practice characteristic affecting organizational discretion and eventually the possibility for status mobility, the current study sheds light on the role of practice ambiguity.

Practice Ambiguity and Organizational Discretion

According to the institutional and agency literature, practice ambiguity provides organizational discretion (Goodrick & Salancik, 1996; Okhmatovskiy & David, 2012; Oliver, 1991; Pfeffer & Salancik, 1978; Wijen, 2014). Although institutions are a strong constraining mechanism in organizational life, ambiguity residing in practices about how and when the practice should be used creates room for organizational discretion. Although some practices possess a fact-like position and are almost taken-for-granted by field members, many other practices do not have such a strong position, even when they are institutionally mandated (Goodrick & Salancik, 1996). Particularly with regard to a practice introduced to fulfill a certain purpose, ambiguity can exist about the type of content that should constitute the practice. Therefore, when ambiguity is high, organizations can deviate without losing legitimacy, such as through adjusting the practice content or ceremonially conforming to the practice (Ansari et al., 2010; Meyer & Rowan, 1977). In this regard, the current study argues that when organizations of different status face institutional pressures to adopt a practice, they will implement the attendant practices more or less extensively, based on the level of practice ambiguity.

HYPOTHESES DEVELOPMENT

The main argument of this study concerns the relationship between organizational status and the implementation of newly introduced practices with varying levels of ambiguity. In order to test my theoretical argument, I examine the relationship between organizational status and two new government-driven organizational practices – the EOA policy and the AO policy – within the Korean university setting. As explained above, the former policy represents a practice with low ambiguity, while the latter is characterized by high ambiguity.

Organizational Status and the Adoption of a Practice with Low Ambiguity

When organizations adopt a practice with low ambiguity, it will decrease the organizations' overall discretion level over the practice's use. Depending on organizational status, they are likely to have a distinctive standpoint about the practice due to their original discretion level and their attitudes toward potential status mobility. The EOA policy gives an advantage (quota) to candidates who live in isolated regions or who have a low economic family status. The EOA policy also deals with the selectivity issue of universities. This policy is, by nature, the most advantageous to students who have, on average, a mid-high level of academic test scores, but come from the designated social class. These students have difficulty getting into high-status universities if the admission criterion is solely based on academic test scores. However, under the assigned quota, they obtain access to higher-level universities than they would otherwise be able to enter. Since the government strongly encouraged universities to adopt this policy for the sake of educational equality, the major conformity gain for universities is to show their compliance to social responsibility. Without major financial rewards, universities benefit from the improvements in their reputation (or avoidance of damage to their reputation) by showing compliance to the government-driven policy, which improves (at least the perception of) educational equality. Depending on their status, universities are differentially subject to institutional pressures on socially responsible actions.

High-status universities will consider a practice with low ambiguity as a threat to their given autonomy, particularly because they are likely to admit students whose academic test scores are lower than their expectation level. High-status universities tend to have strong faith that academic test scores represent the academic quality and intellectual capability of students well. In this sense, adopting a practice that may have a negative impact on their discretion over choosing students is inconsistent with their status-based organizational identity. Therefore, high-status universities will likely not be eager to use this practice. In this situation, low practice ambiguity provides few options for deviation. Thus, they will use this practice less extensively.

Low-status organizations, on the contrary, are not very interested in status mobility or legitimacy gains. Low-status universities are obvious out-groups of the elite academic society, and their low social position in academia is very difficult to change. Thus, low-status universities are more interested in tangible benefits, such as obtaining financial rewards or securing a sufficient number of students every year, than in highly uncertain upward status mobility. Without tangible benefits for adoption and interest in status mobility issues, they are likely to show less interest in this practice.

Middle-status organizations, on the contrary, will see this practice differently, because the discretion gap will be smaller for this practice, compared with their high-/low-status counterparts. That is, because this less ambiguous practice provides little room for discretion to all organizations, the disadvantage of middle-status actors is mitigated vis-à-vis high-/low-status organizations. Furthermore, they may be able to recruit students with better academic scores than the students they used to admit. They can also obtain legitimacy from the society by showing their contribution to educational equality. This conjecture leads to the following hypothesis.

Hypothesis 1: Ceteris paribus, there exists an inverted U-shaped relationship between university status and the extensive use of the Equal Opportunity Admission policy.

Organizational Status and the Adoption of a Practice with High Ambiguity

Organizational responses based on status could change if a practice with high ambiguity is considered. As suggested by the literature on agency within institutional theory, organizations can have more discretion over the use of this practice, even under strong institutional pressure, if the practice has an ambiguous nature (Goodrick & Salancik, 1996). The AO policy has changed the way of admitting students to universities. As suggested above, the main goal of the government in promoting the AO policy lies in evaluating students based on multiple dimensions rather than relying solely on academic test scores. Since the AO policy entails changes in the evaluation criteria, admitted students' profiles are also subject to change. Since universities of different status have different target student profiles, their interpretation of the AO policy will vary. In terms of a cost-benefit analysis of the practice, it is basically the function of universities' *ex ante* investments in the AO systems and *ex post* governmental financial support based on annual AO policy assessments. Not all universities that adopted the AO policy were able to receive financial rewards. These financial rewards were classed, depending on the regulatory evaluations of the AO policy implementations. The government divided adopting universities into three groups: leading universities (with a large amount of rewards), governmental-support universities (with a moderate level of financial rewards), and independent universities (without governmental support). These financial rewards were a great motivation for universities, since they were able to compensate for admission-related costs, depending on the governmental evaluation results. However, the AO policy requires a large amount of financial investment in establishing a new system, hiring professional admission officers, and so forth. Uncertainty existed for universities concerning the probability of gaining financial rewards from the government.

High-status organizations originally have a high level of discretion over their actions. Although high-status universities consider the loss of discretion and inconsistency with the current status hierarchy as a threat, they can take advantage of the ambiguity residing in diffusing the practice. In the university setting, high-status universities can design their own AO program for their best interests, since agreed-upon rules are lacking, and the guidelines contain linguistically ambiguous terms (e.g., creativity and passion). High-status universities are likely to be very sensitive to this issue, in that selecting high-level students corresponds to their identity. Since admitting, educating, and graduating talented students are the major educational goals of high-status universities, they will be critical about maintaining the quality of entering students while utilizing the new policy. Through the adjustment of the AO program, they can recruit the students they originally wanted to admit and maintain the current status hierarchy. The potential for financial rewards from the government was an additional incentive for high-status universities to adopt the AO policy. That is, high status universities expect that they can maintain their status-based identity and obtain financial incentives simultaneously. Therefore, high-status universities will extensively implement the AO policy.

Low-status actors have a low possibility of upward mobility. They are less likely to show interest in the status mobility issue. Low-status universities tend to accept students with low academic test scores. Therefore, they are less concerned about changes in the students' profiles (particularly about accepting qualified students). Rather, they are interested in the possibility of tangible benefits when considering the adoption of new practices. As described above, conforming to the AO policy provides an opportunity for financial rewards. Although low-status universities do not expect to be a leading AO university, there is a possibility of being selected as an AO governmental support university if they recruit a large portion of students through the AO policy. If they are selected as an AO governmental-support university (not necessarily a leading AO university), the moderate amount of financial rewards will still be sufficient to cover their investment in the new policy. This is particularly true because changing their admission practice to the AO policy does not incur too many additional costs, compared with traditional way of recruiting students, given that they tend to receive a low number of applications, compared with high- or middle-status universities. Therefore, it can be a cost-effective strategy if they can be selected, even for a small amount of reward with a small amount of investment. In this regard, low-status actors are likely to use this practice extensively.

For middle-status actors, this high discretion practice does not provide a good opportunity to increase their autonomy, given that they are constrained by their social position. Although they are interested in practices that hold the potential for status mobility, they also need to be cautious about the risk of downward status mobility. Because of their position in the boundary, they may take a conservative stance toward a practice that has uncertainty in status mobility. In the university context, middle-status universities have aspirations for upward mobility and, therefore, they are interested in recruiting highly qualified students. However, if high-status universities keep recruiting high-quality students by designing their AO policy, it does not make substantial changes in middle-status universities' recruiting. In addition, given that middle-status universities tend to receive the largest number of applications, extensive investment in the new policy is required to handle these applications. In order to cover their investment, they should be selected as a leading AO university; otherwise, a moderate-level of financial support may be insufficient to compensate for their initial investment. However, the chance of being selected as one is highly uncertain, since they should compete against higher-status universities (with more resources and better networks to regulatory authorities). The president of the Admission Officer Association of Korea, who is also an admission officer and professor, mentioned that competing with high-status universities (particularly a few top schools) for financial rewards, as well as admitting qualified students, is a very challenging task for most other universities.

"They [the top schools] are very resourceful and have legitimacy. They can make their own policy without other universities' behaviors. Other [lower-tier] schools then either follow or respond to the top-tier schools." – The president of the Admission Officer Association of Korea.

Therefore, in general, this practice is not an attractive option for middle-status universities. Taken together, these different interpretations of the practice will lead to different levels of usage of the practice.

Hypothesis 2: Ceteris paribus, there exists a U-shaped relationship between university status and the extensive use of the Admission Officer policy.

Moderating Role of Organizational Dependence

There have been voluminous works demonstrating the (positive) relationship between organizational dependence on regulatory authorities and organizational compliance to institutional pressures (e.g., Edelman, 1992; Marquis & Qian, 2014; Okhmatovskiy & David, 2012). Through the provision of resources and legitimacy, external dependence is one of the powerful mechanisms that drive organizational actions (Pfeffer & Salancik, 1978). Oliver theorized that organizations' manifestation of agency in response to institutional pressures can be strongly influenced by organizational dependence on the source of institutional pressures (1991). She suggested that organizational context, such as the multiplicity of stakeholders and the organization's dependence on them, determines whether the organization adopts or rejects the practice. Therefore, if organizations depend on critical resources provided by certain stakeholders, they will conform to the pressures originating from the focal stakeholders. Ceremonial compliance may endanger the focal organization, since the revelation of such behaviors will put organizations at risk of losing their legitimacy and/or resources (MacLean & Behnam, 2010). Even though organizations of different status will have varying level of sensitivity to the regulatory pressures, the sensitivity will, by and large, also be influenced by the organizational dependence. If an organization is receiving critical resources from the regulatory bodies, the authorities usually have the right to audit the recipient. The more dependent the organizations are, the higher the chance of stronger scrutiny will be. In addition, they tend to have more formal and informal ties to each other, through which information flows each way. Considering the strong compliance-enforcing mechanism of organizational dependence, I argue that it will have interaction effects on the relationship between organizational status and the degree of implementation of organizational practices. That is, middle-status actors' strongest/weakest conformity (vis-à-vis high and low status counterparts) to practices with low/high ambiguity will become more salient under high levels of organizational dependence. Empirically, organizational dependence will sharpen the curve such that slopes before and after the turning point will become steeper.

Hypothesis 3a*: The inverted U-Shaped relationship between university status and the extensive use of Equal Opportunity Admission policy will be stronger under high levels of organizational dependence on regulatory authorities.*

Hypothesis 3b*: The U-Shaped relationship between university status and the extensive use of the Admission Officer policy will be stronger under high levels of organizational dependence on regulatory authorities.*

METHODS

Data Sources.

The current study uses multiple archival data sources and interview data. There are 200 4-year-course universities in South Korea. These universities are members of the Korean Council for University Education, which maintains an online database of member universities (The Information Service of Higher Education in Korea: ISHE hereafter). This database contains most of the university-level data that the current study uses for the statistical analyses. Additionally, I supplement these data by using various private and public sources, including The Ministry of Education and Korean Council for University Education, Daesung Education Institute, and each university's website. I also collect the admission guidelines of universities from each university's website and The Information Service of Higher Education in Korea. Among the 200 universities, I use 137 universities in the actual analyses; specialized universities such as education universities, religious schools, and technical colleges are excluded, since their admission policies are fundamentally different from those of other universities. The research window starts in 2008, when the first adoption of the AO and EOA policies occurred, and ends in 2013. A total of 671 university-year observations are included in the analyses. In addition, I interviewed nine different individuals between April and August 2015. The interviews are semi-structured, consisting of open-ended questions to understand universities' motivation for and attitude towards new admission policies disseminated by the government. The participants include two former and five current admission officers in universities, and two university professors who participated in the admission policy establishment of two universities. One of the five current admission officers was the president of the Admission Officer Association of Korea.

Variables

The dependent variables are the degree of AO and EOA policy implementation. The former (latter) is measured by new student admissions through the AO (EOA) policy as a proportion of the total number of new student admissions in a given year. The former is obtained from each university's application guidelines. The latter is downloaded from ISHE. The former ranges from 0 to 90 and the latter ranges from 0 to 29.

Independent variables. Since *organizational status* reflects its relative position within a network (Podolny, 1993, 1994), measure relevance could be different, depending on the context in which the focal organization is embedded and the type of focal organization. Since organizational status is socially constructed (Lynn, Podolny, & Tao, 2009), university status needs to be measured by considering the relational network of academia. In particular, it should take the Korean context into consideration. As suggested by Kim and colleagues (2007), one of the most relevant status measures of Korean universities is the average national college entrance examination scores of universities. Korean universities are located within a strict hierarchy. Although there are numerous rankings announced by various institutions, the average university entrance scores most correctly reflect the universities' position within Korean society. Following Kim and colleagues (2007), I use the average national college entrance examination scores of universities in the department of business administration, since most universities have that particular department and the entrance scores to this department tend to be the highest among others. For universities without a department of business administration, I used the department that had the highest entrance score in the focal university. These data are obtained from the Daesung Education Institute, which collects and summarizes the entrance scores of all Korean universities every year.

Financial dependence on regulatory authorities is measured by the amount of governmental financial support as a percentage of the focal university's total budget. This measure clearly shows the degree of financial dependence of universities on regulatory authorities, and the data in this vein are obtained from ISHE.

Control variables. *Organizational size* is measured by the total number of registered students in a given year. *Educational quality* may vary across universities and may affect organizations' tendency to be involved in the adoption and implementation of new organizational practices. I use two measures for this variable: 1) the total number of domestic books in the focal university's library; and 2) the average educational costs per student. These variables are obtained from ISHE. *Visibility* usually goes up with a number of factors, including the location of a university, the presence of a medical school, and the external activity of a university's constituents. Therefore, visibility is a distinctive construct and does not perfectly overlap with an organization's prestige or size. I measure a university's visibility by using media exposure measures: the number of newspaper articles mentioning the focal university (Fiss et al., 2012; King, 2008). I use a *Seoul* dummy, since university location is an important factor related to the universities' popularity. Specifically, whether the university is located in Seoul (the capital city of Korea) strongly affects the university's popularity and even status. Korean people even casually categorize universities located in Seoul as "In Seoul Universities." Given that these "In Seoul" universities are located in close proximity to each other, they may observe and mimic one another and may adopt and implement a new practice (DiMaggio & Powell, 1983). I include the *Public University* dummy, since being a public university could also affect the dependent variables. Public universities are more dependent on regulatory authorities than private universities. However, this reliance may give public universities somewhat stable income flows compared to private universities. Both high dependence and income stability can lead to a presumed social responsibility of public universities, in that they consume more public resources. This sense of social responsibility may affect their conformity to regulatory pressures. The natural logarithm is used for the number of students, the number of domestic books in libraries, and visibility. All variables are updated annually.

Methodological Approach

I employ two statistical estimations in order to test my hypotheses. I applied a Hausman test in order to confirm whether a random effects or fixed effects model is more appropriate for my two dependent variables. The Hausman test examines whether coefficients estimated by random effects are the same as those obtained by fixed effects in panel data. For EOA policy implementation, the Hausman test could not reject the null hypothesis that the two estimations are not statistically different (χ^2 (10), Prob > χ^2 = 0.3810), suggesting that the random-effects model is more efficient. For AO policy implementation, the Hausman test rejects the null hypothesis that the two estimations are the same (χ^2 (11), Prob > χ^2 = 0.0052), suggesting that the fixed-effects model is more appropriate to test AO policy implementation. Based on this result, I used a random effect Panel Generalized Least Square (GLS) analysis for the implementation of the EOA policy and a fixed effect panel GLS analysis for the implementation of the AO policy, respectively. Since my sample contains all four-year-program universities, thereby covering all universities in the risk set, the possibility of sample selection bias is minimal.

Insert Table 2-2 bout here

Table 2-2 shows mean comparisons of key variables between the entire sample space and the 137 universities included in the models. Variables have similar means except for AO Policy Implementation and Financial Dependence (on regulatory authorities), which have higher means for 137 universities compared to whole sample. This is understandable since universities excluded from the sample are mostly public education colleges and technical colleges. These universities most extensively use AO policy (even up to 100%) and their budget is wholly dependent on the government. In order to avoid the risk of reverse causality, all predictors are lagged by one year.

RESULTS

Descriptive statistics are presented in Table 2-3. Interestingly, status is negatively correlated with university size. Rather, the status measure is positively correlated with the universities' location in the metropolitan Seoul area.

Insert Table 2-3 about here

Table 2-4 presents the results of a random effect panel GLS model concerning the relationship between status and the extensive use of the EOA policy. Model 1 contains all control variables. In this model, university visibility is negatively related to EOA policy use. In Model 2, I included the status variable and the squared term of the status variable, along with the other covariates. As hypothesized, both the status measure and its square term are significantly related to the extensive use of EOA, the former with a positive relationship and the latter with a negative relationship. This result provides support for my hypothesis 1 that the relationship between status and EOA policy use will be an inverted U-shape. The turning point is formed at the 68^{th} percentile. Consistent with a three-step procedure of confirming quadratic relationships (Haans, Pieters, & He, 2015; Lind & Mehlum, 2010), 1) the coefficient for the squared term of organizational status is significant, 2) the turning point is located within the data range, and 3) the two slopes before and after the turning point are steep. That is, the mid-high level of universities implemented the EOA policy the most extensively. As mentioned earlier, the EOA policy is the most beneficial to mid-high level students, and this student group fits well with these schools. In addition, by conforming to the EOA policy, universities expect legitimacy-gains by extensively using this practice. It is consistent with the assumption that mid-high level universities are the most sensitive to legitimacy gains.

Insert Tables 2-4 & 2-5 about here

I also obtained support for my arguments for hypothesis 2. As presented in Table 2-5 Model 2, both status and the squared term of the status variables are significant, with the former having a negative sign and the latter having a positive sign. The same three-step procedure confirms the quadratic relationship between organizational status and AO implementation. As hypothesized, the relationship between status and extensive implementation of the AO policy is U-shaped such that middle-status actors less extensively used the practice with high ambiguity. The turning point is located at around the 40^{th} percentile. That is, mid-low status actors least extensively implemented the AO policy, compared to their high- and low-status counterparts. Without the guarantee for upward status mobility and potential risk of downward mobility, middle-status actors were attracted less and behaved conservatively with regard to the AO program. Additionally, a high level of financial dependence on regulatory authorities is positively associated with the extensive use of the AO policy. This is understandable, given that conformity to the AO policy initiative by the government may increase the possibility of winning financial awards.

In Model 3 of Table 2-4 and Table 2-5, results for the moderating effects of organizational dependence are presented. For the EOA policy, the interaction term between financial dependence on regulatory authorities and the squared term of organizational status is not statistically significant, thereby failing to yield support for my Hypothesis 3a (Model 3 of Table 4). Although the EOA policy is a government-initiated practice, universities' financial dependence on regulatory authorities does not strengthen the relationship between organizational status and practice implementation. Considering that EOA policy adoption does not yield financial support for adopters, the financial dependence of universities does not function as an additional influence factor. On the contrary, the result presented in Model 3 of Table 2-5 shows that financial dependence on regulatory authorities strengthens the relationship between organizational status and AO implementation. To illustrate this interaction effect, I generated an interaction plot by using the coefficients in Model 3 of Table 2-5. In Figure 2-1, I juxtapose two extreme cases of financial dependence by entering 0 percent and 100 percent financial dependence to the coefficients in Model 3 of Table 2-5, respectively. When universities' financial dependence on regulatory authorities moves from low (no dependence) to high (completely dependent), the U-shaped curve becomes steeper. The interaction between financial dependence on regulatory authorities and the squared term of organizational status is positive and strongly significant ($p<.000$), thus providing support for Hypothesis 3b. As predicted in Hypothesis 3b, when an organization faces institutional pressures, organizational dependence on the source of the pressure (e.g., governmental agencies) exerts additional force. Contrary to the EOA policy, adoption of the AO policy may provide organizations with financial support. For this reason, universities' financial dependence on regulatory authorities have a strong moderating effect on the relationship between status and AO practice implementation.

Insert Figure 2-1 about here

DISCUSSION

The objective of this study was to explore how organizations respond to external pressures based on their status. This study examined universities' different responses to two new government-driven organizational practices with different levels of ambiguity, namely the EOA policy and the AO policy. The results indicate that organizational agency was shown to be manifested, depending on the characteristics of the practices and organizational contingencies. Depending on organizational status, universities interpret practices differently, which in turn determine organizations' embracement of different practices.

The current study contributes to the status literature by extending Phillips and Zuckerman's famous concept of "middle-status conformity" (2001). Although organizations in a certain area or field are strongly affected by professional norms, they are also subject to other types of pressures. When organizations in a certain area face new pressures from regulatory authorities, I suggest that organizations of different status may interpret different organizational practices in light of their attitude toward status mobility and organizational discretion. As suggested above, universities showed opposite responses to the AO policy and the EOA policy, depending on their organizational status. Universities of different status have unique interpretations about and attitudes toward these practices. Practice ambiguity underlies universities' understanding of the practices and consequent embracement of them. This result extends the concept of "middle-status conformity" by suggesting that it could be contextualized, depending on the source of pressure and how organizations interpret the pressure. According to previous studies, aspiration for upward mobility and fear of losing membership compel middle-status actors not to deviate (Phillips & Zuckerman, 2001; Durand & Kremp, 2016). When a certain requested action is straightforward and well defined, organizational actors would find it difficult to engage in deviant actions. However, when a certain requested action is characterized by a high level of ambiguity, organizational actors can enjoy more discretion over their actions (Goodrick & Salancik, 1996; Oliver, 1991; Pfeffer & Salancik, 1978). Organizational discretion over the implementation of an organizational practice may lead to practice variation, or even to ceremonial compliance (Ansari et al., 2010; Wijen, 2014). When practices with high ambiguity are involved, high-status actors can enjoy an even greater level of discretion, owing to their position security in a given field. High-status organizations can simultaneously adjust the practice to suit their objectives and obtain benefits of compliance. On the contrary, middle-status actors who are bound by their own status are less likely to enjoy a high level of discretion, even for practices with a high level of ambiguity. The practices do not provide middle-status organizations with an opportunity to minimize the discretion gap or to improve their status. Therefore, middle-status organizations will be least likely to extensively use a practice with high ambiguity; rather, middle-status actors are more likely to extensively use practices with low ambiguity, since they reduce the discretion gap with their high-status counterparts.

Caveats are required, however, to generalize the results of this argument. Middle-status actors' extensive use of a practice with low discretion (and reluctance to use a practice with high ambiguity) holds only when the practice can potentially have an impact on status mobility and organizations' status-based identities. Even when a certain practice has high/low ambiguity, organizations of different status may exhibit different behavior without such conditions since organizations are also impacted by their own cost-benefit calculations. This is because universities may also be affected by cost-benefit considerations when adopting and implementing new organizational practices. However, as previous studies have suggested, unique cost-benefit structures arise from organizational status (Benjamin & Podolny, 1999; Fombrun & Shanley, 1990; Jensen et al., 2011; Podolny, 1993, 1994, 2005). In line with this view, I suggest in this paper that organizations' conformity and non-conformity to external pressures are driven by their unique judgment of the practice based on their organizational status.

One may interpret passive utilization of the AO program by middle-status universities as a reflection of conformity to the group norm in the Korean higher education field. However, the AO policy has been actively utilized by high-status universities since its inception. In most professional fields, group norms tend to emerge based on high-status actors' acceptance and endorsement. In the US law market, although a new attorney hiring practice was introduced as an innovation by high-status law firms, it became a new group norm as the practice became institutionalized (Sherer & Lee, 2002). One former admission officer at a middle-status university mentioned in the interview with the author that the AO policy had been institutionalized rapidly as top-tier schools had adopted the practice and had reported some initial proof of success. Even though opportunities for financial rewards triggered the active involvement of high-status universities, these high-status universities rapidly adopted the focal practice. In this sense, it is difficult to interpret less extensive implementation of the AO policy by middle-status universities as conformity to the group norm.

This study illuminates the role of organizational status in conformity to institutional pressures. Practice variation studies have elaborated how organizations adjust their organizational practices, depending on organizational and environmental contingencies. As scholars have suggested and examined, the misfit between the diffusing practice and the organization is the main source of practice variation (Ansari et al., 2010; Fiss et al., 2012; Kennedy & Fiss, 2009; Canato, Ravasi, & Phillips 2013). However, empirical evidence has been scarce regarding what creates the source of misfit between the practices and organizations. This study illuminates the importance of organizational status in forming an organization's unique motivation for practice embracement. In this sense, the current study can provide insights into the practice variation literature by clarifying the role of organizational status as the source of an organization's motivation for implementation.

This result also contributes to the literature on agency within institutional theory in general. With regard to the structure-agency debates, the current study supports the view that institutional pressures are, albeit very strong, not fully deterministic (Thornton, Ocasio, & Lounsbury, 2012). This study reaffirms the wisdom of the literature on agency within institutional theory, in that organizational agency could be manifested, even under strong institutions and institutional pressures when ambiguity exists in focal practices. In addition, the moderating effects of this study confirm the importance of resource dependence as a curbing mechanism of organizational agency. Although the current paper shows that organizations' conformity to and deviance from institutional pressures are predicted by organizational status, organizational dependence generally reinforces conformity and curbs deviance.

This study is not without limitations. First, similar to other studies involving organizational status, the current study is conducted in a setting where organizational status is relatively obvious. Since organizational status is socially constructed and context-specific (Lynn et al., 2009; Podolny, 1993), the observation and operationalization of organizational status is a challenge in some empirical settings. For this reason, previous research on organizational studies tend to be conducted in the contexts of professional firms such as accounting firms, investment banks, and law firms (e.g., Cowen, 2012; Phillips et al., 2013; Phillips & Zuckerman, 2001), as well as some special types of organizations such as opera theaters and haute cuisine restaurants (e.g., Durand & Kremp, 2016; Durand, Rao, & Monin, 2007). The university context is also characterized by a stable status hierarchy; whether and how organizational status functions in other organizational contexts is not fully deterministic. However, the adoption of institutionally requested practices is a phenomenon that applies to many different types of organizations. In addition, status exists in most organizational contexts even though there are variations in the level of difficulty in observing and operationalizing organizational status across different organizational areas. However, in some business contexts, organizational status is represented by such easily observable measures such as asset size in the construction industry, the total value of orders received in the shipbuilding industry, and the number of affiliated companies among large Asian business groups. In this sense, insights from this study can have implications for organizations in other contexts. Particularly when an institutionally requested practice has the potential to affect the existing status hierarchy, the imagery of middle-status conformity can change depending on practice ambiguity. Although practice ambiguity may vary across contexts, it exists in a wide range of contexts. Practice ambiguity can be generally high when there are multiple views and diverging interests, as occurs with such practices as corporate social responsibility (Wijen, 2014) and corporate governance (Okhmatovskiy & David, 2012). Even though ambiguity can be generally low for more standardized practices (e.g., Total Quality Management and Six Sigma), uncertainty regarding "means-ends" relationship between best actions and desired outcomes can create practice ambiguity (Bromley & Powell, 2012; Wijen, 2014). Scholars can further enhance our understanding of the association between organizational status and practice characteristics by delving into various practice characteristics and the impact of status in a variety of fields. In addition, scholars can further broaden our understanding of the status-conformity relationship by considering different types of external pressures in addition to the regulatory pressures on which the current study has focused.

Relatedly, future research can further enhance our understanding concerning status dynamics to which the current paper has paid less attention. Although status assumes stable position of an actor within a given field, status mobility does occur in the long run. However, we know little what triggers status mobility. For example, the middle-status conformity perspective is built upon the assumption that (middle-status) actors have aspiration for improving their status and avoiding penalties (Phillips & Zuckerman, 2001; Durand & Kremp, 2016). However, little has been examined whether conformity indeed help actors to achieve their goals. One potential research topic is examining the relationship between conformity through the adoption of an institutionally-requested practice and status dynamics.

In addition, this study utilized the financial dependence of universities on regulatory authorities in order to measure organizational dependence. I believe that financial dependence is one of the strongest forms of organizational dependence. However, there are many different factors that drive organizations' dependence on certain resource providers. For example, governmental agencies' right to grant licenses or sanction organizations can also have interesting implications. Organizations' network relationships would have impacts on the manifestation of organizational dependence. In this regard, I urge future researchers to consider various sources of organizational dependence, which will extend our understanding of status-based organizational responses to external requests.

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Figure 2-1. Visual Representations of Moderated Curvilinear Association

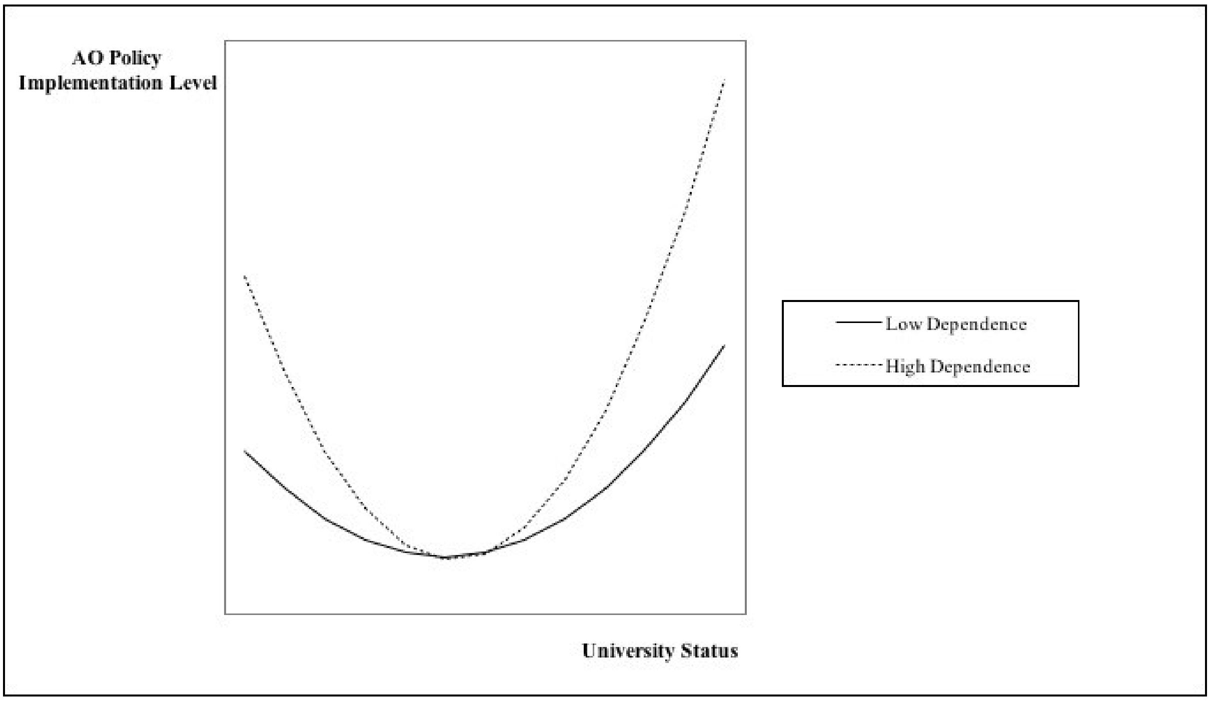

Table 2-1. Characteristics of the EOA and AO Policies

	EOA Policy	AO Policy
Policy Mechanism	• Allocating a certain portion of spots for eligible students	• Multidimensional assessment • Professional AO involved
Characteristics	• Low ambiguity • Outcome-oriented practice	• High ambiguity • Process-oriented practice
Controversy	• Reverse discrimination	• High initial set-up costs and inefficiency
Beneficial to	• Students whose academic test scores mid-high level	• Students who have strong profile in a certain area
Incentives	• Legitimacy gains by contributing to educational equality	• Merit-based financial rewards (contingent upon evaluation)

Table 2-2. Mean Comparison

Variables	Whole Sample Space (199 Universities)	137 Universities
AO Policy Implementation	5.59	4.43
EOA Policy Implementation	4.93	4.66
Status	54.85	54.89
Organizational Size	8.99	9.03
Financial Dependence	4.62	3.77
Number of Books in the Library	12.78	12.78
Education Quality	9.14	9.14
Visibility	2.74	2.77
Public School	0.18	0.17
Seoul Metropolitan Area	0.25	0.26

Table 2-3. Summary Statistics and Bivariate Correlations

		Mean	STD	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	11)
1)	Admission Officer Policy Implementation	0.14	0.34	1.00										
2)	Equal Opportunity Admission Policy Implementation	0.10	0.30	0.17	1.00									
3)	Status	5.62	0.90	0.00	0.00	1.00								
4)	Status [Squared]	0.73	0.44	-0.05	0.00	0.00	1.00							
5)	Financial Dependence on Regulatory Authorities	0.10	0.30	-0.02	0.02	0.15	0.01	1.00						
6)	Organization Size [ln]	0.61	0.49	-0.01	-0.11	-0.47	-0.01	-0.42	1.00					
7)	Number of Books in the Library [ln]	0.04	0.19	-0.02	-0.02	0.00	-0.04	-0.04	0.00	1.00				
8)	Education Quality	0.06	0.24	0.05	-0.08	0.00	-0.02	-0.01	0.01	0.09	1.00			
9)	Visibility [ln]	0.10	0.30	-0.06	-0.03	0.00	0.02	0.07	-0.02	-0.07	-0.08	1.00		
10)	Public School	0.59	0.49	-0.14	0.03	0.00	-0.01	-0.04	0.02	-0.11	-0.26	0.08	1.00	
11)	Seoul Metropolitan Area	16.97	0.24	-0.02	-0.02	0.46	-0.03	-0.30	0.07	0.03	0.07	-0.05	-0.09	1.00

Table 2-4. Random Effect Panel GLS Analyses on EOA Policy Implementation

Variable	Model 1	Model 2	Model 3
<Controls>			
Financial Dependence on Regulatory Authorities	-0.03	-0.03	-0.05
	(0.02)	(0.02)	(0.06)
Organization Size [ln]	0.49	-0.10	-0.10
	(0.30)	(0.30)	(0.30)
Number of Books in the Library [ln]	0.27	0.66*	0.64*
	(0.31)	(0.30)	(0.30)
Education Quality	-0.07	-0.15	-0.14
	(0.40)	(0.44)	(0.44)
Visibility [ln]	-0.28*	-0.29*	-0.29*
	(0.12)	(0.12)	(0.12)
Public School	-0.18	-0.50	-0.53†
	(0.34)	(0.33)	(0.32)
Seoul Metropolitan Area	0.49	0.21	0.17
	(0.30)	(0.35)	(0.35)
<Independent Variables>			
Status		0.07**	0.07**
		(0.02)	(0.02)
Status [Squared]		-0.00*	-0.00*
		(0.00)	(0.00)
<Interactions>			
Financial Dependence on Regulatory Authorities			0.00
□ Organizational Status			(0.00)
Financial Dependence on Regulatory Authorities			-0.00
□ Organizational Status [Squared]			(0.00)
Intercept	1.04	0.17	0.25
	(4.36)	(4.85)	(4.82)
Number of observations	671	661	661
Number of groups	137	134	134
Wald X^2	2299.03	2433.84	2419.42
Prob > X^2	0.0000	0.0000	0.0000
R^2 (Overall)	0.7223	0.7507	0.7506

Standard errors in parentheses *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Table 2-5. Fixed Effect Panel GLS Regression Analysis on AO Policy Implementation

Variable	Model 1	Model 2	Model 3
<Controls>			
Financial Dependence on Regulatory Authorities	0.42***	0.43***	-0.28
	(0.11)	(0.11)	(0.27)
Organization Size [ln]	-5.24*	-4.67†	-4.64*
	(2.38)	(2.39)	(2.24)
Number of Books in the Library [ln]	11.31***	11.35***	6.44*
	(2.81)	(2.80)	(2.69)
Education Quality	-4.94	-5.38	-2.57
	(3.50)	(3.50)	(3.30)
Visibility [ln]	0.29	0.33	0.19
	(0.55)	(0.55)	(0.51)
Public School	0.42***	0.43***	-0.28
	(0.11)	(0.11)	(0.27)
Seoul Metropolitan Area	-5.24*	-4.67†	-4.64*
	(2.38)	(2.39)	(2.24)
<Independent Variables>			
Status		-0.44**	-0.02*
		(0.14)	(0.01)
Status [Squared]		0.00**	0.00
		(0.00)	(0.00)
<Interactions>			
Financial Dependence on Regulatory Authorities			-0.02*
□ Organizational Status			(0.01)
Financial Dependence on Regulatory Authorities			0.00***
□ Organizational Status [Squared]			(0.00)
Intercept	-46.56	-41.67	-12.34
	(51.15)	(51.16)	(47.30)
Number of observations	671	661	661
Number of groups	137	134	134
Wald X^2	2299.03	2433.84	2419.42
Prob > X^2	0.0000	0.0000	0.0000
R^2 (Overall)	0.1257	0.2079	0.3426

Standard errors in parentheses *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Essay 3

Family-Controlled Firms Choice of Corporate Restructuring Modes

Abstract

This study focuses on how family involvement affects firms' use of different restructuring modes in response to strong institutional pressure. Consistent with the previous family business literature, I argue that family involvement is negatively associated with restructuring due to family members' unique decision-making logics in pursuing cross-generational sustainability for their firms. However, I further argue that family-involved firms will prefer layoffs to asset divestiture under strong institutional pressure for corporate restructuring, since family members consider the former as more conducive to cross-generational sustainability than the latter. Contributions to literature streams on family business, corporate governance and restructuring, and institutional theory are discussed.

Keywords: Corporate Restructuring, Family Involvement, Institutional Pressure

INTRODUCTION

The question of how ownership structure motivates organizations to choose from alternative responses to institutional pressures has attracted an increasing amount of research (e.g., Jones, Li, & Cannella, Jr., 2015; Okhmatovskiy & David, 2012). Although institutional theory has emphasized the importance of homogenizing institutional forces (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 2007; Zucker, 1977), organizations manifest agency in response to institutional pressures. One prominent source of organizational agency in response to institutional pressures is stakeholder diversity within and around organizations. Studies in this literature stream have shed light on the relationship between organizations' internal political dynamics and organizational responses to institutional pressures, considering the fact that organizations are not unitary entities (Delmas & Toffel, 2008; Edelman, 1992; Jones et al., 2015; Marquis & Qian, 2013; Westphal & Zajac, 2001). This literature stream raises the question of *whose interests* are salient and likely to affect organizations' choice of response if various organizational stakeholders have, as is generally presumed, diverse opinions and conflicting interests. A large volume of research has suggested that organizational responses to institutional pressures are reflected in the ownership structure of firms (Ahmadjian & Robbins, 2005; Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Hoskisson, Hitt, Johnson, & Grossman, 2002; Kim, Kim, & Lee, 2008; Park & Kim, 2008).

This study focuses on the role of a predominant shareholder group within a firm: family owners. Firms owned and managed by families are a major economic player in many countries (Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007; La Porta, Lopez-de-Silanes, & Shleifer, 1999). Particularly in many emerging economies, family involvement is an important governance mechanism equipped with a unique institutional logic (Chung & Luo, 2008). Although family firms are similar to their non-family counterparts in that both are profit-seeking business organizations, family involvement makes such firms sufficiently unique so as to require different theoretical explanations for their behavior (Chua, Chrisman, & Sharma, 1999; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Firms with family involvement tend to have unique risk preferences and take actions that transcend the imminent interests of the firm, compared to firms without such a family presence. Most family business scholars argue that the ultimate goal of firms with family involvement is the cross-generational sustainability (or transgenerational sustainability) of their organizations (Chua et al., 1999; Simon & Hitt, 2003; Zellweger & Astrachan, 2008; Zellweger, Kellermanns et al., 2012), a characteristic underlying the unique behavioral patterns of these organizations. Empirical investigations have been conducted in the contexts of environmental performance (Berrone et al., 2010), diversification (Gomez-Mejia, Makri, & Kintana, 2010), stakeholder engagement (Cennamo et al., 2012), and strategic conformity (Miller, Breton-Miller, & Lester, 2013).

This unique goal of firms with family involvement gives rise to either positive or negative consequences. On the one hand, family firms may engage in altruistic actions that go beyond external requests (Berrone et al., 2010; Dyer & Whetten, 2006) or show their commitment to the stakeholders and the community (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012), since maintaining the family's reputation, respect in the local communities, legitimacy, and "socioemotional wealth"[6] awarded by non-family stakeholders are conducive to perpetuating the family business and to achieving cross-generational sustainability

[6] The term "socioemotional wealth," coined by Gomez-Mejia et al. (2007), refers to the non-financial assets or affective endowments of family-owned firms on which the unique risk preferences and behaviors of family-involved firms are based. Rooted in behavioral agency theory, which assumes that firms' choices are a reflection of the firms' dominant principal values, the socioemotional wealth model suggests that firms with strong family involvement take action and make choices in order to preserve families' socioemotional wealth (Berrone, Cruz, & Gomez-Mejia, 2012).

(Gomez-Mejia et al., 2007; Micelotta & Raynard, 2011). On the other hand, family firms' quest for cross-generational sustainability may lead to the expropriation of weak stakeholders, forgoing lucrative opportunities, and accepting economic loss in order to preserve the family's control and influence (Gomez-Mejia et al., 2007; Young et al., 2008). For example, family-involved firms may resist taking more lucrative actions, such as joining a cooperative or diversifying their business portfolio, in order to maintain the dominant position of the family members within their firms (Gomez-Mejia, Haynes et al., 2007; Gomez-Mejia, Makri et al., 2010). Sometimes such choices can be seen as sacrificing weak participants and stakeholders for the purpose of preserving family interests. If non-family shareholders have to bear economic losses for the sake of preserving the family's control, this represents a "principal-principal conflict" between heterogeneous shareholders (Young et al., 2008). These opportunistic decisions of family-involved firms are explained by their desire for the endorsement of family members, which is another pillar for cross-generational sustainability.

Although family-involved firms exhibit distinctive behavioral and decision-making patterns for the purpose of achieving cross-generational sustainability, strong external pressures may create tensions and dilemmas. When strong external pressures drive firms to make a decision among alternatives that are all in conflict with family business logic, the ultimate choice pursued by such family firms is an interesting research question. In this choice situation, I further examine whether deeper family involvement (through both family ownership and management) strengthens or weakens this decision by firms.

I address this question in the context of firms' restructuring mode choice under strong institutional pressures for corporate restructuring. Corporate restructuring can be implemented through various modes (Bergh, Johnson, & Dewitt, 2008; Hoskisson, Johnson, Tihanyi, & White, 2005), and firms may emphasize different aspects of restructuring in response to institutional pressures. Building upon previous restructuring studies (Ahmadjian

& Robbins, 2005; Hoskisson et al., 2005; Park & Kim, 2008)[7], I compare two restructuring modes: 1) organizational restructuring, which emphasizes job cuts; and 2) asset restructuring, which focuses on asset divestitures. Although these two restructuring modes are widely used by firms and studied by scholars, they have different implications for family firms. No matter what modes of restructuring firms choose, the selection tends to involve a reduction in organizational size, number of employees, and/or diversification level of a firm's business portfolio. For this reason, family firms are likely to resist institutional pressure for corporate restructuring (Block, 2010; Sharma & Manikuti, 2005; Stavrou, Kassinis, & Filotheou, 2007), which may jeopardize invaluable relationships with various stakeholders. In line with the family business literature, I argue that family involvement is negatively associated with both modes of restructuring. However, if family firms are to choose a restructuring mode due to strong institutional pressure, family involvement may lead to the choice of one restructuring mode over the other. Organizational restructuring may have a harmful influence on the family's name in the community and society (Block, 2010; Deniz & Suarez, 2005), in that it jeopardizes valuable relationships with non-family stakeholders (particularly employees). On the contrary, asset restructuring may put the primary goal of family owners and managers at risk, given that asset divestiture directly counters the successful transfer of "family wealth" to the next generation (Chow & Hamilton, 1993; Sirmon & Hitt, 2003; Zellweger, Kellermanns, Christman, & Chua, 2012). Strong institutional pressure arising from economic crisis may force firms unable to simply ignore corporate restructuring to choose among these restructuring modes. This situation represents the dilemma that firms with family involvement face: threats to legitimacy and reputation awarded by non-family stakeholders,

[7] Financial restructuring (e.g., leveraged buyouts) does not necessarily involve a reduction in organizational structure or size. Following previous works that have used only asset and organizational restructuring in their analyses (e.g., Ahmadjian & Robbins, 2005; Park & Kim, 2008), I exclude financial restructuring from my analyses.

and threats to the control and succession of family wealth. How does family involvement affect firms' choice of restructuring modes when facing field-wide institutional pressure for corporate restructuring?

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Family Involvement and Cross-Generational Sustainability

Research on the roles of family involvement in firms has grown into an independent literature stream (Chua et al., 1999; Berrone et al., 2012; Gomez-Mejia, Cruz, Berrone, & Castro, 2011). Although the exact numbers vary by country and time, a large portion of firms in many countries are owned and managed by certain families. For example, Gomez-Mejia, Larraza-Kintana, and Marki (2003) reported that about 35 percent of Fortune 500 firms are under strong family influence. Similarly, the Fair Trade Commission of South Korea reported that 41 out of the 61 largest business groups in Korea were controlled by family owner(s) in 2015. These firms are similar to other firms as value-creating and profit-seeking entities; however, firms owned and/or managed by family members are found to have unique characteristics that differ from firms without such family involvement, including the strong emotional attachment of family members to their firms (Zellweger & Astrachan, 2008), the interests of firms in caring for their stakeholders (Berrone, Gomez-Mejia, Cruz, & Cennamo, 2012), an emphasis on the external image of the firms (Micelotta & Raymond, 2011), and family members' strong sense of legacy (Gomez-Mejia et al., 2007), to name a few. In a similar vein, earlier studies have also emphasized the non-economic objectives of family principals (Sharma, Christman, & Chua, 1997; Anderson & Reeb, 2003a). Based on the abovementioned characteristics, family members exert strong control over the strategic decisions of their firms (Chua et al., 1999; Schulze, Lubatkin, & Dino, 2003b).

Firms with family involvement tend to show distinctive behavioral patterns and risk preferences that are not justified by rational/economic logic when making decisions. For example, strong family involvement results in better environmental performance (Berrone et al., 2010), more diversification when facing performance hazards (Gomez-Mejia et al., 2010), and more stakeholder engagement (Cennamo et al., 2012) than in the case of non-family involvement. In addition, family firms' decisions made at the expense of financial gain are also reported in the context of creating agency contracts with the top management team (Cruz, Gomez-Mejia, & Becerra, 2010), the appointment of affiliated directors on board (Jones, Marki, & Gomez-Mejia, 2008), R&D investments (Chirsman & Patel, 2012), and strategic conformity (Miller et al., 2013). These unique decisions, based on distinctive risk preferences, are made in order to maintain family members' control and non-economic benefits. For example, family-controlled olive oil mills in Spain were found to resist joining cooperatives, even though becoming a cooperative member lowers business risk and performance hazards (Gomez-Mejia et al., 2007). This unique decision-making logic of family-involved firms is aptly captured by the term "socioemotional wealth," which was coined and defined by Gomez-Media and his colleagues as the "non-financial aspects of the firm that meet the family's affective needs" (2007: 106). Also known as the "affective endowments of family owners" (Berrone et al., 2012: 259), the notion of socioemotional wealth assumes transgenerational sustainability as the fundamental goal of family-involved firms.

Family firms' unique behavioral patterns in the pursuit of transgenerational sustainability can be categorized in terms of either positive or negative aspects. First, family-involved firms exhibit altruistic (and even prosocial) behaviors that benefit various stakeholders at the expense of financial loss (Berrone et al., 2012; Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Dyer & Whetten, 2006). For example, firms with family involvement display better environmental performance, even at the expense of financial loss compared to firms without family involvement (Berrone et al., 2010). In addition, Dyer and Whetten (2006) find support for their argument that family-involved firms care more about CSR than non-family counterparts, since family owners' values spill over into the corporate and family name. According to Block (2010), family-involved firms are less likely to downsize, since downsizing leads to the loss of long-term relationships with their employees and risks damaging the family's reputation. This empirical evidence is based on the fact that family principals are more sensitive to negative assessments and external condemnation than non-family counterparts, and that they place special significance on the reputation, legitimacy, and social appraisals of families and their firms (Micelotta & Raynard, 2011). Although it can be a far-sighted strategic action, or "generational investment" (Simon & Hitt, 2003: 343) by family principals, various stakeholders who are the beneficiaries of unique actions taken by family-involved firms endow the firms with a reputation, legitimacy, respect, and socioemotional wealth.

Second, another line of research suggests that the foremost goal of firms with a strong family presence is to maintain family control and influence, even though actions to preserve such control may result in financial losses of the firms (Cruz et al., 2010; Gomez-Mejia et al., 2007; Gomez-Mejia, Makri et al., 2010; Jones et al., 2008; Zellweger, Kellermanns, et al., 2012). As presented above, family-involved firms may not take potentially lucrative actions, such as joining a cooperative or diversifying a firm's portfolio, for fear of losing the family's identity and control (Gomez-Mejia et al., 2007; Gomez-Mejia, Makri et al., 2010). For similar reasons, family-involved firms spend less in R&D investments (Morck, Strangeland, & Yeung, 2000; Chrisman & Patel, 2012). In addition, firms may exert and maintain control over their firms through various means, such as by retaining a large portion of ownership and by assuming important managerial or board roles (Jones et al., 2008; Mustakallio, Autio & Zahra, 2002) that can create corporate governance problems. Above all, a strong sense of family legacy is at the core of these unique decisions of family firms. Family members believe that their firms represent the heritage and embodiment of the family's tradition, and they feel strong emotional attachment to their firms (Casson, 1999; Tagiuri & Davis, 1992; Kets de Vrie, 1993). Therefore, it is a very difficult decision for family principals to sell their firms, either in part or as a whole, because this event represents the entire loss of the family's history with the firm. Although these actions and choices of family-involved firms are beneficial in preserving family influence and control, they may sacrifice other stakeholders' interests. This is why family principals' influence is often associated with principal-principal conflict; in such cases, certain decisions of family-involved firms may sacrifice other shareholders, particularly the minority shareholders (Young et al., 2008).

When a huge threat to financial performance is posed from external environments, however, even family-involved firms are required to change their decision framing (Gomez-Mejia et al., 2011). For example, family-involved firms facing performance declines invested more in R&D, even though these firms had been reluctant to invest in R&D to preserve the socioemotional wealth of the family (Chrisman & Patel, 2012). Similarly, performance hazards were found to force family-involved firms to diversify more (Gomez-Mejia et al., 2010). As such, when firms face severe financial difficulties and strong threats to survival, these firms may need to choose among a limited number of choice options, even though each option is not generally favored based on family business logic.

Family Involvement and Corporate Restructuring

This paper follows the definition of corporate restructuring as intentional changes in formal organizational structures, hierarchies, and size (Ahmadjian & Robbins, 2005; Burdos, 1999; Hoskisson, et al., 2005). Given that the term "restructuring" has been used in a wide variety of situations such as reducing or merging organizational hierarchies or divisions as well as asset divestiture and downsizing, I build my theorization based on the broad definition of corporate restructuring. In emerging economies where corporate restructuring is introduced as a form of institutional pressure, actors in a field may have different perceptions about restructuring depending on the institutional arrangements in which they are embedded. For this reason, scholars have focused on how ownership structure affects a firm's restructuring (Ahmadjian & Robbins, 2005; Ghemawat & Khanna, 1998; Park & Kim, 2008). Given that different principals in a firm are likely to have different attitudes towards the adoption and implementation of restructuring, the previous studies have shed light on the impact of key shareholders on corporate restructuring. For example, Ahmadjian and Robbins (2005) showed how corporate restructuring could be associated with the clash of two different national institutions regarding corporate governance. They suggest that Japanese firms' degree of local embeddedness, which is reflected in the ownership structure of the firm, affects the adoption or rejection of corporate restructuring, which they consider as an Anglo-American management practice. Similar conflicts over the adoption of restructuring between proponents and opponents are also reported in other emerging markets (Ghemawat & Khanna, 1998; Park & Kim, 2008).

To wit, these previous studies have tried to answer the question of whether firms restructure or not depending on shareholder compositions. Although this approach is valid in explaining shareholder attitudes toward corporate restructuring as a whole, these studies tend to define available organizational responses as either restructuring or not. However, corporate restructuring can be implemented through alternative modes (Bergh et al., 2008). Scholars have suggested major modes of corporate restructuring including asset restructuring (refocusing or asset divestiture), organizational restructuring (downsizing or layoffs), and financial restructuring (leveraged buyouts or management buyouts) (Hoskisson et al, 2005; Kang & Shivdasani, 1997; Park & Kim, 2008). Each restructuring mode has different implications for the interests and values of different stakeholders. In spite of its importance, we know little about the organizational choice of corporate restructuring modes.

The current paper focuses on the role of family involvement in firms' choice of restructuring modes. Since family owners are prominent shareholder groups in many firms, how family members interpret and perceive restructuring is likely to affect the firm's restructuring. In this sense, previous studies on the relationship between ownership structure and corporate restructuring share a lot in common with family business studies that have also examined family-involved firms' restructuring tendencies (Block, 2010; Denis & Suarez, 2005; Sharma & Manikuti, 2005; Stavrou et al., 2007). The family business literature suggests that family involvement in a firm discourages firm restructuring that has a harmful effect on the firm's reputation, familial norms and culture, and normative commitments to employees (Block, 2010; Sharma & Manikuti, 2005; Stavrou et al., 2007). Family firms are more likely than their non-family counterparts to demonstrate inertia when recognizing the need for divestiture (Sharma & Manikuti, 2005). Although corporate restructuring can benefit the focal firm if properly conducted, it oftentimes involves reduction in the number of employees, asset size, and the number of businesses the firm runs. As suggested above, family firms often prioritize benefits that transcend economic considerations awarded by internal and external parties related to the firms (Gomez-Mejia et al., 2000; Wiseman & Gomez-Mejia, 1998). Since corporate restructuring may lead to the severance of these invaluable relationships, I take a cue from previous family business studies and argue that firms with family involvement tend to resist restructuring compared to non-family counterparts.

Hypothesis 1: Family-involved firms will be less likely than non-family firms to conduct corporate restructuring (either layoffs or asset reduction).

Institutional Pressure and Family-Involved Firms' Choice of Restructuring Modes

Organizations often find themselves vulnerable to institutional pressure, since ignorance of certain institutional requirements could result in punishment or a loss of legitimacy (Meyer & Rowan, 1977; Okhmatovskiy & David, 2012). In particular, organizational crisis increases this vulnerability perception and leads focal organizations to engage in responsive actions (Chandler, 2014; Desai, 2011; Gillespie, Hurley, Dietz, & Bachmann, 2012). The financial crisis in Japan in the early 1990s led to the market opening to foreign investors. With this opening, foreign capital came with foreign management practices. Some of these foreign management practices (e.g., pay-for-performance plan, restructuring, etc.) were inconsistent with institutionalized business practices in Japan. Strong pressures from foreign investors forced the Japanese business sector to reluctantly change their long-held business practices (Amyx, 2004), and Japanese firms' adoption of corporate restructuring is a prominent example (Ahmadjian & Robinson, 2001). Although firms with a strong family presence endeavor to avoid decisions that may harm the non-economic benefits and assets of the firm and family, very strong threats to firms' survival, such as volatile and/or declining performance, may force the firms to reluctantly follow external requests (Gomez-Mejia et al., 2010). Since firm failure indicates the loss of both economic well-being and non-economic assets of the family, the existence of such "fear factors" can be a strong trigger for family firms to reconsider their unique decision-making (Berrone et al., 2012). If firms with family presence face strong threats to firm failure, the firms are likely to be forced to engage in externally requested actions (Gomez-Mejia et al., 2010).

As mentioned above, restructuring can take various forms. Building upon previous research on corporate restructuring (Ahmadjian & Robbins, 2005; Park & Kim, 2008), I shed light on two qualitatively different restructuring modes: asset restructuring and organizational restructuring. Firms may have different preferences of restructuring modes depending on shareholders' interests. Particularly with regard to the roles of family principals, this is an interesting research question, given that both modes of restructuring are likely to be generally disfavored by family principals.

First, organizational restructuring or downsizing refers to intentional reductions in headcounts rather than structural changes (Burdos, 1999; Love & Kraatz, 2009). Reduction in labor demand and low efficiency (Chadwick et al., 2004), as well as financial management driven by crisis (Burdos, 1999) are considered major drivers for organizational restructuring. If properly conducted, downsizing can be beneficial in reducing operating costs, improving financial performance, removing organizational hierarchies and redundancies, enhancing organizational competitiveness and effectiveness, and protecting firms from financial hardships and potential insolvencies (Cappelli, 2000; De Meuse et al., 2004; McKinley et al., 2000; Schmidt and Svorny, 1998). However, the majority of studies suggest negative influences of downsizing on firms, particularly in the long-run (Budros, 1999; Cascio, 1993; Chadwick, Hunter, & Walston, 2004).

However, family-involved firms are unlikely to favor downsizing for several reasons. Scholars have pointed out that downsizing often leads to the loss of valuable employees (Burdos, 1999; Cascio, 1993; Chadwick et al., 2004). In addition, even survivors of downsizing tend to have negative emotions such as cynicism, withdrawal of commitment, heightened fear and sense of betrayal, and loss of loyalty and trust, to name a few effects (Cameron & Huber; Sahdev et al., 1999). In many emerging market contexts and economies with stakeholder-oriented traditions, layoffs have been considered as a breach of the moral contract between firms and employees. In the case of Japan and Korea (Ahmadjian & Robbins, 2005; Ahmadjian & Robinson, 2001; Kang & Shivdasani, 1997; Park & Kim, 2008), the relationship between a firm and its employees could be characterized by tacit moral contract. Employees made firm-specific investments in order to obtain specialized knowledge and skills for the firm; firms provided employees with job security in return for their employees' commitments (Ghoshal, Bartlett, & Moran, 1999). Therefore, headcount cuts could be contestable since they break the long-held moral contract related to job security through lifetime employment between organizations and employees. In this sense, downsizing could be considered as an illegitimate action under the existing institutions. For these reasons, downsizing is likely to have a harmful effect on the firm's reputation (Block, 2010; Love & Kraatz, 2009; Zyglidopoulos, 2004). As a whole, downsizing results in a loss of accumulated non-economic assets of family firms, particularly as represented by employees.

Second, asset restructuring refers to the intentional reduction or sell-off of corporate assets (Ahmadjian & Robbins, 2005; Hoskisson et al., 2005). Asset divestiture is used for the purpose of refocusing firms' business portfolio and/or of securing soluble assets. Asset divestiture and refocusing was widely adopted by American firms in the 1980s since unrelated diversification led to negative stock evaluations with the emergence of active institutional investors and stock analysts as a profession (Zuckerman, 2000). External shareholders tend to prefer focused corporate strategies since they are able to diversify their own portfolio; managers tend to prefer diversification in order to spread their employment risk (Jensen, 1986). Asset restructuring tends to yield positive long-term performance compared to organizational restructuring if resource redundancies are eliminated and the firm focuses on its core business.

However, there are several reasons why family members do not prefer asset restructuring. Family members are emotionally attached to their firms which are inherited from their ancestors and even equate the company asset with the family asset (Chung & Luo, 2008; Zellweger & Astrachan, 2008). Therefore, they are likely to be committed to maintaining their control of the firm and their properties. In addition, family managers tend to consider transmitting family wealth to their next generation as their primary role (Zellweger & Astrachan, 2008; Zellweger, Kellermanns, et al., 2012). Furthermore, in many countries where growth is as important as profitability, firms are reluctant to sell their assets since asset size is related to the status of the firm in the elite business society (Ahmadjian & Robbins, 2005). Therefore, asset divestiture is often considered as an event that taints the family name, particularly in elite business society (Chung & Luo, 2008; Yuen & Hamilton, 1993). Lastly, family managers' job security and the family's economic wellbeing are dependent on the fate of their firms. For this reason, the evaluation of family managers is likely to be strongly affected by the general reputation among the family and within the elite business society. All in all, asset restructuring results in a poor reputation and evaluation of the firm and decision-maker by family stakeholders, as well as a loss of the family's control over the financial wealth of the firm.

However, when encouraged to conduct corporate restructuring due to strong institutional pressures, the firms with strong family involvement may prefer or need to conduct corporate restructuring in some mode. First of all, the current paper takes into consideration the most fundamental motivation of family firms. Although family firms tend to make decisions that are not well explained by economic logic (Gomez-Mejia et al., 2007; Berrone et al., 2010), the ultimate goal of those seemingly irrational decisions and actions of family-involved firms is to perpetuate the family business. In this sense, Simon and Hitt (2003) used "generational investment" to explain unique decisions of family-involved firms. Achieving "transgenerational sustainability" is the most significant duty of family managers so that family-involved firms may even sacrifice performance (Zellweger & Astrachan, 2008; Zellweger, Kellermanns, et al., 2012). For many families, their firms and assets are "not for sale" as embodiments of the family's heritage (Casson, 1999; Kets de Vries, 1993; Tagiuri & Davis, 1992). Therefore, family members may show opportunistic behavior rather than selfsacrifice when threats are posed to their firms' continuity and family control (Berrone et al., 2010; 2012). In addition, although family owners are averse to the loss of socioemotional wealth, they are likely to consider its retrievability as well. If an abrupt threat is posed to family-involved firms, they can take care of the most urgent problem by giving up relatively retrievable socioemotional wealth. Asset divestiture is a permanent and complex decision since it is difficult to regain those assets once a certain factory or unit is removed from the firm. This logic and sentiment of family owners are reflected in the following quote of a family CEO of the 10th largest business group in Korea.

> "Laying off employees was an emotionally tough decision that I always wanted to avoid. During the IMF bailouts, we had to conduct massive layoffs. It was sorrowful to lose our beloved employees, and survivors became demoralized as the desk next to them became empty. However, we were not able to guarantee the job security of those employees being laid-off and survive if our company failed. As you know, the financial crisis was an unprecedented shock to our economy, and we needed to take extraordinary solutions." – CEO and Chairperson of A Group[8] (Dong-A Busines Review, 2008).

All in all, I argue that family-involved firms will prioritize preserving family control and achieving transgenerational sustainability to maintaining relationships with employees when facing strong institutional pressure and threats to the firms' survival. This reasoning leads to the following hypothesis.

> *Hypothesis 2: When facing strong pressure for restructuring, family-involved firms will be more likely to conduct layoffs than asset reduction.*

[8] All quotes are translated by the author.

Degree of Family Involvement and Firms' Choice of Restructuring Mode

I further consider how the degree of family involvement affects a firm's choice of restructuring mode, as suggested above. Among the methods of family involvement, most researchers agree that family ownership and management are two key elements (Chua et al., 1999). As presented in the method section, I use both family ownership and family management (assuming the CEO role) as proxies for family involvement. However, firms vary in the degree of family involvement. Although the amount of ownership captures the degree of family involvement to some extent, how much family members are attached to their firm can also be observed by considering whether family members are actually managing the firm. We can assume that a firm both owned and managed by a family member exhibits high family involvement, compared to a firm either owned or managed by a family member (Chua et al., 1999).

I suggested above that family-involved firms are likely to prioritize layoffs over asset reduction when facing strong institutional pressure for corporate restructuring. However, I further argue that this tendency will become weaker as the degree of family involvement increases. There are two reasons for this negative moderating effect of deeper family involvement. First, family firms' and managers' emotional attachment to the firm will increase correspondingly with deeper family involvement. When family owners also assume the CEO role simultaneously, the family CEO is likely to have close contact with the firm's employees, compared with family members who own shares of the firm without having a hands-on relationship with the employees. This close contact and relationship can function as an emotional barrier for the family CEO to conduct layoffs. Second, prioritizing reputation over other considerations is one of the key drivers for the unique behavior of family firms. The greater sensitivity of family members to reputational loss and criticism from stakeholders will be even greater if a firm is both owned and managed by family members. One Korean business group, led by a famous family owner and CEO, recently announced an extensive layoff plan that included even young employees who had just joined the company within the past one or two years. Strong public criticisms of not only the firm but also the owner and CEO arose regarding this decision; these resulted in withdrawal of the plan since the firm and the CEO considered the reputation loss it entailed to be serious (Chosun Biz, 2015). This reasoning leads to the following hypothesis.

Hypothesis 3: Preference of family-involved firms for layoffs over asset reductions when facing strong institutional pressure for corporate restructuring (as predicted in H2) will be weaker when focal firms are both owned and managed by family members.

METHODS

Research Context

I investigate how firms choose different corporate restructuring modes depending on family involvement between 1997 and 2003 in South Korea. Korea was exposed to the risk of moratorium during the Asian Financial Crisis in late 1990s and finally received an IMF bailout in 1997. Literally all Korean firms faced significant financial risk almost overnight since foreign financial institutions declined to roll over Korean firms' loans. In the short run, many firms faced a liquidity crisis due to the sharp decline in national credit ratings reported by international agencies. Korean firms' existing management style, characterized by a widely diversified business portfolio by large-size business groups, was accused as the culprit of this national financial crisis (Euh & Rhee, 2007).

Due to these nationwide threats, strong institutional pressures began to be exerted on Korean firms, mainly by regulatory sources. The IMF strongly requested a nationwide economic reform and newly elected Korean government (Kim Dae Jung Administration) requested intensive corporate restructuring to Korean firms in return for emergency financial support. The IMF requested that the Korean government (including the president-elect Kim Dae Jung) establish a three-pronged agenda containing the following actions: 1) restructuring both industrial and financial firms; 2) an early opening of financial markets to foreigners; and 3) enhancing labor market flexibility. President Kim Young Sam and the President-Elect Kim Dae Jung made a co-announcement and emphasized the bold restructuring of firms. In their co-announcement, they stated the following:

> "Firms should be deeply conscious of their responsibility for the current financial crisis. Based on this responsibility perception, firms need to conduct a drastic and bold restructuring and reform." - Donga Ilbo (January, 1998)[9]

The president-elect emphasized the continuous drive of corporate restructuring as the primary national political agenda in the course of overcoming the Asian Financial Crisis and ordered his transition team to establish a corporate restructuring administration to foster and guide the restructuring of the industrial and financial sectors. Kim Tae Dong, the senior secretary to the president for economic policy, strongly urged the largest business groups to show responsibility for the crisis and to actively implement corporate restructuring plans.

> "Largest business groups, particularly the five largest chaebols, need to improve their financial structure by attracting more foreign capital even through selling off their core businesses." – Kookmin Ilbo (April, 1998).

In addition, the emergency planning committee of the Korean government, which was an interim control tower established to overcome the financial crisis, decided that companies showing below-target restructuring performance would suffer disadvantages in taking out cash loans from banks and issuing corporate bonds.

Insert Table 3-1 about here
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[9] All quotes are translated by the author.

Korean government extensively performed restructuring programs on financial sector that had lost competitiveness. Table 3-1 illustrates the timeline about the occurrence of the Asian Financial Crisis and subsequent major events in Korea. Government also vigilantly monitored the Korean firms' restructuring outcomes. Two months after his inauguration, President Kim Dae Jung pointed out that the corporate restructuring of large business groups was unsatisfactory, and he urged governmental officials to actively guide large business groups' restructuring, based on the initial plan. However, the large business groups expressed discontent in response to the strong pressure for corporate restructuring from the government. The Federation of Korean Industries (FKI), a major association of large business groups in Korea serving the role of spokesperson for business groups, expressed the complaint that overdoing corporate restructuring could lead to draining the country's "national wealth" to foreigners. One executive anonymously mentioned in an interview with the *Chosun-Ilbo* that treating business groups as if they were the culprits of the economic crisis was not fair, given that they had been contributing to the economic development of the country (*Chosun-Ilbo*, 1998). In an interview with the Korean press in 2011, Michel Camdessus, who was the managing director of the IMF and who led the Korean IMF bailout, mentioned that his strong request for corporate restructuring was inevitable.

> "I was called the Grim Reaper by Korean firms. Considering the current situation of the Korean economy, I may be called the "Life Angel". The strong restructuring program was inevitable since desperate disease must have desperate remedies". - Michel Camdessus (*JTBC*, 2011).

The word "restructuring" became a management fashion in Korea and many firms actually set in place "restructuring center" or "corporate restructuring office" at the top of their organizational hierarchy. Most of Korean firms had to restructure in order to receive financial support from the government, to secure legitimacy, and to survive. Figure 3-1 shows the word count numbers of the word "layoffs" and "asset divestiture" appearing in major Korean newspapers from 1996 to 2003. Corporate restructuring took the two prominent formats - asset restructuring (asset divestitures) or organizational restructuring (layoffs).

Between 1996 and 2003, 476 cases (28.7%) of layoffs (more than 5 percent of all employees) occurred, and 420 cases (25.4%) of asset reductions (more than 5 percent of total firm assets) took place. The yearly distributions of layoffs and asset reductions are depicted in Figure 3-2. Approximately 26 to 32 percent of the sample firms conducted layoffs, and 26 to 37 percent of the sample firms conducted asset reductions between 1998 and 2003 each year. These data reveal that corporate restructuring was actually widespread in the Korean business society. In terms of industry, about 50% of chemical firms, 35% of electronics firms, and 31% of the food and drink industry conducted layoffs; about 65% of furniture firms, 40% of construction firms, and 35% of electronics firms conducted asset reduction. This context is an appropriate setting to examine organizational choice of restructuring modes under strong institutional pressure depending on the salience of family involvement.

Data Sources

My sample consists of large manufacturing (non-financial) firms include (with employees more than 500) in Korea Composite Stock Price Index (KOSPI) in 1997-2003. I chose this sample because these firms had been under the institutional pressures from the government and IMF, thereby had been at risk of conducting corporate restructuring following the Asian Financial Crisis. I exclude financial firms because Korean government directly involved in the restructuring process and they may have a different logic about the restructuring modes due to the difference in asset structures. In addition, I only include firms that were continuously listed in KOSPI throughout my research window. Firms that exited from the KOSPI will be omitted. My primary data come from KIS-Value III database, which is built and updated by the Korea Information Service (KIS). This database provides comprehensive information about publicly traded Korean firms (Chang & Hong, 2000). Most of accounting and corporate governance information including ownership structure of firms are obtained from this database. I collect information about the governance characteristics (including family ownership, whether the CEO is a member of family, etc.) from each firm's annual reports filed to Financial Supervisory Service in Korea.

Variables

Dependent variables. My dependent variables are firms' use of different restructuring modes. I follow the operationalization of previous works that have measured both organizational restructuring (through layoffs) and asset restructuring (through asset sales) (e.g. Ahmadjian & Robbins, 2005; Park & Kim, 2008). I define layoffs as a 5 percent or more of reduction in the number of employees between year t-1 and year t; I define asset sales as a 5 percent or more of reduction in total assets between year t-1 and year t. According to previous studies, 5 percent reduction in either the number of employees or the amount of assets can be interpreted as intentional and planned efforts rather than a random variation (Ahmadjian & Robbins, 2005; Block, 2010; Cascio et al., 1997). Given that the goal of this study is examining the influence of family involvement on *organizational choice* of different restructuring modes, I use dummy variables to clearly capture the organizational choices. So the variable *layoffs* (*asset reductions*) takes the value of "1", if the focal firm reduced its number of employees (its total assets) by 5 percent or more in a given year compared to the previous year; otherwise this variable takes the value of "0". Third, in the panel logistic regression model described below, the variable "restructuring" takes the value of "1", if the focal firm reduced either its number of employees or its total assets by 5 percent or more in a given year; otherwise this variable takes the value of "0". Data for these variables are obtained from KIS-Value III database.

Independent variables. Following previous studies, I use two separate measures to capture family involvement (Block, 2010). First, the variable *owner CE*O takes the value of "1" if the focal firm's CEO is a family member of controlling shareholder(s). The second measure of family involvement is *family ownership*. The Fair Trade Commission distinguishes firms with a controlling family from those without such a controller[10]. If a firm is categorized as a non-family firm, then the family ownership of the firm is coded as "0". For family firms, family ownership is measured by the percentage of ownership help by the largest shareholder(s), parties who have the kinship ties to the largest shareholder(s), firms affiliated in the same business groups, and executives of the focal firm. I obtained the data for family involvement from annual reports. When filing annual reports, Korean firms are required to report their governance structures, including business group affiliation, the person or family who is the ultimate controller of the firm, and the ownership held by persons or parties having special relationships with the ultimate controllers. In the annual reports, shareholders' family relationships are specified (e.g., son, sibling, nephew, etc.).

Control variables. To capture the impact of foreign investors on the dependent variables, I use *foreign ownership* which is measured by percentage of voting shares held by foreign investors. Given that previous performance is a strong predictor of corporate restructuring (Morris, Cascio, & Young, 2000; Ofek, 1993), I include *return on equity (ROE hereafter)* which is measured by a firm's net profit by total equity. *Controlling owner change* is included in order to control for potential impact of the largest shareholder identity. Given that the restructuring wave is driven by the government, *state ownership* is controlled which is measured by percentage of voting shares of a firm held by the state and state-controlled

[10] Firms without controlling families can be professional firms or state firms which are partially-owned or wholly-owned by the government. Some families have ultimate control of a firm by using crossholdings and pyramid structures even when the firm's shares are substantially owned by institutional investors. Fair Trade Commission of Korea announces business groups with ultimate controller (either individual or family) every year.

institutions. Similarly, *CEO succession*, which is coded as "1" if the CEO in year *t* is different from the one in year *t*-1 (otherwise the variable is coded as "0"), is included since newly-appointed CEOs may have an impact on firms' strategic change (Finkelstein, Hambrick, & Cannella Jr., 2007; Tushman & Rosenkopf, 1996) including restructuring decisions. Given that the nationwide economic crisis in Korea was triggered by Korean firms' liquidity crisis and the major solution requested by the government was reducing excessive debt (Euh & Rhee, 2007), I include *debt ratio* which is operationalized by the firm's debt-equity ratio. In addition, Korean firms considered growth as the most important criterion for organizational vitality and soundness, and a firm may have different views on restructuring based on whether the firm is growing or not. Therefore, I control for *sales growth* which is operationalized by the firm's sales in year *t* divided by sales in year *t-1*. *Export ratio,* which is operationalized by foreign sales relative to domestic sales, is also included in the models to control for a firm's exposure to global competition. *Firm size* is measured by the total number of employees in a given year. *Market capitalization* is measured by total value of listed stocks. Given that many Korean firms are affiliated with large business groups (so called "chaebols"), whether and how they conduct corporate restructuring can be affected by their business group affiliation. Following previous studies conducted in the Korean setting and by using the business group lists officially announced by the Korean government every year (Chang & Shin, 2006; Chang & Hong, 2000; Park & Kim, 2008), I include a *high status business group* dummy which is coded as 1 if a focal firm is affiliated with one of the largest 30 business groups; otherwise this dummy variable takes the value of 0. Firm size and market capitalization are natural logged.

Methodological Approach

I use two statistical approaches to test my hypotheses. First, I examine the relationships between family involvement and firms' tendency to conduct asset reduction and layoffs by using Zellner's (1962) seemingly unrelated regression (SUR) model. By using SUR model, I compare a firm's organizational restructuring (layoffs) and asset restructuring (asset sales). These two dependent variables are not independent and errors between equations are correlated to some extent (r=0.26, p <. 001). In order to address these issues, SUR models with robust standard errors are the suitable methodological approach (Agarwal, Echambadi, Franco, & Sarkar, 2004; Kennedy & Fiss, 2009; Reuer, Tong, Tyler, & Arino, 2013). Given that I have exactly two equations and my two dependent variables are binary in nature, I use *biprobit* command. Standard errors are clustered by firms.

Second, as an alternative approach for robustness check, I also use multinomial logistic regression analysis to examine the choice between two dependent variables (Cannella & Shen, 2001; Krause & Semadeni, 2014; Sanders & Tuschke, 2007). In order to run multinomial logistic regressions, choice sets should be mutually exclusive. Therefore, four sets of dependent variables are used, namely 1) no restructuring; 2) asset restructuring (without organizational restructuring); 3) organizational restructuring (without asset restructuring); and 4) both asset and organizational restructuring. With these four modes of restructuring, I first examine firms' likelihood of using layoffs or asset reductions by using "no restructuring" as the baseline model. Then in a separate model, I compare firms' likelihood of using layoffs over asset reduction. Third, as an additional robustness check for Hypothesis 1, I examine a firm's restructuring (either by layoffs or asset reductions) by using fixed effects panel logistic regression model.

RESULTS

Correlations among variables are presented in Table 3-2. Interestingly, layoffs and asset reductions are negatively correlated (r=-0.02). In the 1990s, many Korean firms invested heavily in real properties (e.g., land, buildings, etc.), and the disposal of such assets may not incur reductions in headcounts. The results from multinomial regression analyses are reported in Table 3-3 and Table 3-5. In the analyses reported in Table 3-3, I used “no restructuring” as the baseline model and subsequently examined firms’ likelihood of using layoffs versus no restructuring (Model 1), asset reductions versus no restructuring (Model 2), and both layoffs and asset reductions versus no restructuring (Model 3), respectively. Model 1 of Table 3-3 shows that neither the impact of family ownership nor the impact of the family CEO on layoffs is significant. In Model 2 of Table 3-3, both family ownership and the family CEO are negatively related to asset reduction (significant at $p<.01$). Although both family ownership and family CEO are negatively associated with firms’ simultaneous use of layoffs and asset reductions (Model 3 of Table 3-3), these relationships are not statistically significant. Table 3-4 presents the results of panel logistic regressions on firms’ restructuring. In this analysis, I examined the impact of covariates on corporate restructuring (either more than 5 percent of layoffs or asset reductions). As predicted, family CEO was negatively associated with restructuring. Although family ownership was negatively associated with restructuring, this relationship failed to receive statistical support. These results from the multinomial regression analysis provide partial support for Hypothesis 1, which suggests that family involvement will be negatively associated with layoffs and asset reduction. In general, family CEO has a more robust negative effect than family ownership on corporate restructuring.

Insert Table 3-2, 3-3, 3-4 about here

Although the empirical results show that family involvement has a significant negative impact on asset reduction, its impact on layoffs does not reach the predicted significance level. Considering the nationwide economic crisis and threats to firms’ survival during my research window, the predicted negative relationship between family involvement and massive headcount cuts may be weakened. However, the same predicted relationship between family involvement and asset divestiture is sustained during the same period. These results corroborate my Hypothesis 2 (suggesting family-involved firms' preference for layoffs over asset reduction under strong institutional pressure for corporate restructuring) in conjunction with the results to be discussed below.

In Table 3-5, the results of the multinomial regression analysis using a firm's asset restructuring as the baseline model is reported. As reported in Model 1, both family ownership ($p<.01$) and family CEO ($p<.01$) are positively associated with the firm's implementation of layoffs (over asset reduction), thus providing support for Hypothesis 2. In addition, the results from the SUR analysis are presented in Table 3-6. As predicted, the family CEO is positive and significant for layoffs ($p<.05$). However, family ownership is not significant for layoffs, even though the direction is positive. On the contrary, both family ownership and the family CEO are negatively associated with asset reduction ($p<.01$). Taken together, these results from the SUR analysis and multinomial regression analysis provide general support for Hypothesis 2. Model 2 of Table 3-6 presents the results of the interaction effect. The interaction term between family ownership and family CEO is negative and marginally significant ($p<.10$) on organizational restructuring. This result provides support for Hypothesis 3 that having a firm both owned and managed by family members weakens the impact of this firm's preference for layoffs over asset reduction (even though the statistical significance is not very strong).

Insert Table 3-5, 3-6 about here

DISCUSSION

This paper contributes to the family business literature. Many firms around the world are run by family members, and this family involvement is more prominent in emerging economies (Block, 2010; Chung & Luo, 2008; La Porta et al., 1999). Family firms have distinctive operational and strategic goals that differ from non-family firms. There is a certain level of consensus among scholars that family involvement represents local embeddedness (Ahmadjian & Robbins, 2005; Park & Kim, 2008), and a firm with high family involvement tends to resist external pressures toward change in order to achieve transgenerational sustainability (Gomez-Mejia et al., 2007; Berrone et al., 2010). As suggested by previous studies, this paper assumes that family-involved firms tend to resist corporate restructuring (by any mode) for the purpose of preserving family principals' reputation, legitimacy, and socioemotional wealth. This assumption is supported by the results of a multinomial regression analysis and panel logistic regression analysis. However, when strong threats are aimed at the firms' financial vitality and survival, these firms are required to accept change to their most preferred option, not to restructure (Chrisman & Patel, 2012; Gomez-Mejia et al., 2007), and to choose a restructuring mode among other options that are all disfavored by family members. Under these circumstances, family-involved firms take a less complex and more reversible action that is beneficial to preserving family control, since this action is more directly linked to cross-generational sustainability. As this paper's result suggests, although asset divestiture is considered as a more fundamental change leading to long-term performance improvements, family firms prefer layoffs. Facing an imminent threat to firms' survival and socioemotional wealth as a whole, family-involved firms tend to choose options that preserve the family control of the firm at the expense of the socioemotional wealth accumulated with other stakeholders. In this sense, the current study provides support for the view that family principals' strongest reference point is transgenerational sustainability rather than other types of intangible assets accumulated with non-family stakeholders (Zellweger & Astrachan, 2008; Zellweger, Kellermanns, et al., 2012). In this sense, the altruistic actions of family-involved firms could be types of byproducts obtained in the course of achieving family control over several generations. This paper enriches the family business literature by illuminating that the strategic choices of family-involved firms may vary, depending on the external situations and firm-level contingencies, such as the existence of strong institutional pressures and abrupt performance declines. Given that this paper examines Korean firms' choice of restructuring modes in response to strong institutional pressures for corporate restructuring right after the Asian Financial Crisis, this paper highlights how family-involved firms' choose from options that are all inconsistent with family business logic in the face of "fear factors."

This paper has contributions to the institutional agency literature. Even when family-involved firms share the same umbrella concept of a certain action (e.g. restructuring), different implementation modes involve distinctive symbolic values and are preferred by different sets of stakeholders (Briscoe & Murphy, 2012). Particularly when organizations have a heightened sense of urgency and uncertainty due to strong institutional pressures or stakeholder contestations, these firms may need to choose different forms of a certain required action. The current paper suggests that stakeholder interests can be translated into an organizational choice of a mode of action when their organization faces strong institutional pressures. I argue that different forms of corporate restructuring in response to a strong demand is a type of organizational agency under the condition of strong institutional pressures. Firms are likely to have distinctive attitudes and preferences, depending on their organizational contingencies. Drawing on behavioral agency theory (Gomez-Mejia et al., 2000; Wiseman & Gomez-Mejia, 1998), this paper shows that the forms of organizational agency under strong institutional pressures can be predicted by key stakeholder interests, particularly the family principals.

The current study can contribute to the corporate restructuring literature by illuminating the variations of corporate restructuring. To wit, previous studies have tried to determine whether firms restructure or not, depending on the characteristics of the stakeholder group composition. Although this approach is valid in explaining stakeholder attitudes toward corporate restructuring as a whole, these studies tend to define available organizational responses to either restructuring or not. However, corporate restructuring can be implemented through various modes (Bergh, Johnson, & Dewitt, 2008; Hoskisson et al., 2005), and firms may emphasize different aspects of restructuring in response to institutional pressures, particularly when stakeholder interests are varied. Corporate restructuring involves a wide variety of organizational stakeholders, given that their interests are critically affected. In spite of the abundance of research on the antecedents of corporate restructuring in various settings, less attention has been paid to the different modes of corporate restructuring and their antecedents. By suggesting different restructuring modes, this paper provides a nuanced understanding on how stakeholders' interests, particularly those of family principals, are reflected in a firm's choice of qualitatively different modes of corporate restructuring. This is consistent with behavioral agency theory's assumption that firms' choices are a reflection of strong owners' interests.

This paper has some limitations. First, family-involved firms can take various actions due to the existence of fear factors (such as performance deterioration and discontinuity of the firm through mergers and acquisitions or bankruptcy), as the current paper suggests; however, the choices of family-involved firms are likely to be affected by the sentiments and emotions of family principals and managers. Although family managers have common features that differ from non-family managers, they are individuals who have emotions and sentiments. Future studies need to pay more attention to the "micro-level heterogeneity" of family members (Hoy & Sharma, 2010). A multi-level analysis of family business will be particularly useful to enrich the literature. Second, consistent with previous studies in the family business literature, this paper used family ownership and whether or not family members assumed the CEO role as two proxies for family involvement (Anderson & Reeb, 2003a; Berrone et al., 2010; Gomez-Mejia et al., 2007; Miller et al., 2012). However, other scholars have pointed out that the degree and modes of family involvement may vary across different family firms (Astrachan, Klein, & Smyrnios, 2002; Sharma, 2004). For example, Astrachan and colleagues (2002) suggest the F-PEC model of family influence, which is composed of Power, Experience, and Culture. Application of various dimensions of family influence and involvement will improve our understanding of family business. Third, in many emerging economies (including Korea), many firms are affiliated with large business groups and this business group affiliation has an influence on firm-level decisions (Chung & Luo, 2008). In line with previous studies conducted in Korea, I controlled for high status business group affiliation. Even though this measure has been repeatedly used in many studies, we need a more elaborated understanding of business group influence on decision-making processes. In this regard, future research can enhance our understanding of this influence on restructuring decisions by using more elaborated and context-specific measures. Lastly, the empirical context of the current study is worth mentioning. Although family involvement is a global phenomenon, the nature and modes of family influence may vary, depending on a country's culture, legal institutions, and business norms. The institutional forces of the Korean business sector may differ from those of Western firms, which may have an impact on the behavior of family-involved firms. Future research can further enhance our understanding with respect to the role of family involvement in firms' behaviors by conducting analyses in multiple countries and delving into the similarities and differences of institutional forces.

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Figure 3-1. Annual Word Counts in Media: Layoffs, Asset Sales

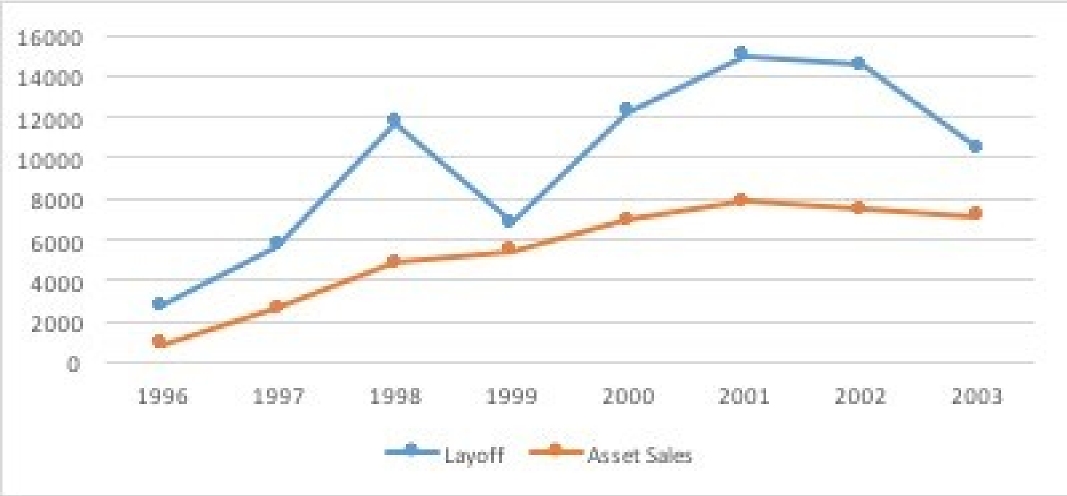
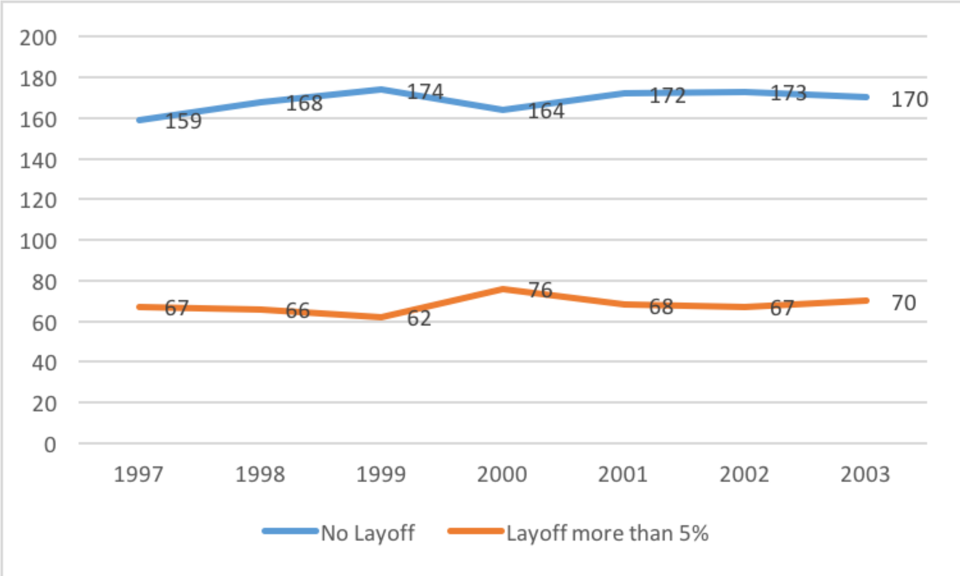


Figure 3-2. Layoffs and Asset Reduction 1997-2003



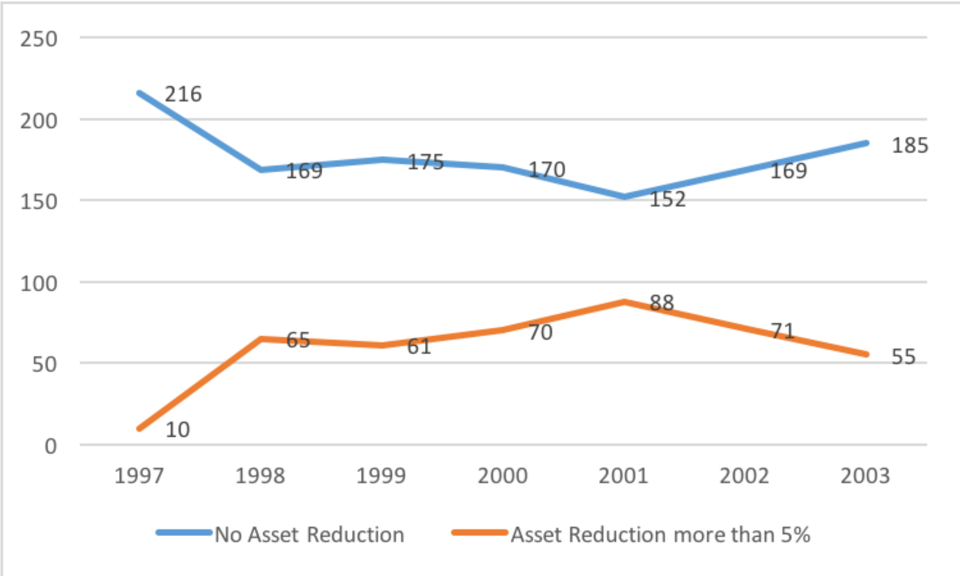


Table 3-1. Timeline

	Event
1997 May	Extension of restrictions on foreign investment in Korean firms: 20 to 23 percent
1997 October	Credit rating change: - S&P: AA- → A+ (Long-term); A1+ → A1 (Short -term) - Moody's: A1- → A2 (Long-term); P1+ → P2 (Short -term)
1997 November	Korean government's request of relief loan to the IMF
1997 December	Approval of Stand-By Arrangement by the IMF Board
1997 December	Opening of the Korean capital market. Extension of restrictions on foreign investment: to 50 percent.
1998 January	Announcement of corporate restructuring principles by the Korean government
1998 February	Relaxation of foreigners' M&A activities in Korea
1998 June	Korean government's announcement of privatization of 9 major public corporations
1998 October	Announcement of 5 largest business groups restructuring plan
1999 February	Upgrade of Korean credit ratings: Moody's: ba1 → baa3
2000 December	President Kim Dae Jung's declaration of IMF loan repayment
2001 August	Termination of IMF bailout

Table 3-2. Correlations

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1) Layoffs	1														
2) Asset Reductions	-0.02	1													
3) Family Ownership	0.04	-0.14	1												
4) Family CEO	0.07	-0.13	0.19	1											
5) Foreign Ownership	0.03	-0.08	-0.04	-0.03	1										
6) ROE	-0.00	-0.22	0.13	0.05	0.12	1									
7) State Ownership	-0.01	-0.01	-0.12	-0.05	0.01	-0.04	1								
8) Owner Change	0.01	0.11	-0.22	-0.09	-0.08	-0.04	0.03	1							
9) CEO Succession	-0.04	0.11	-0.12	-0.22	-0.27	-0.03	0.08	0.15	1						
10) Debt Ratio	-0.02	0.01	-0.08	0.01	0.03	-0.03	-0.01	0.03	-0.00	1					
11) Firm Size	-0.00	-0.09	-0.03	-0.06	0.01	0.21	0.09	-0.01	0.08	0.00	1				
12) Export Ratio	-0.06	0.01	-0.02	-0.04	-0.04	-0.00	0.00	-0.03	0.07	-0.02	0.19	1			
13) Market Capitalization	0.02	-0.02	0.00	0.02	0.05	0.22	-0.08	-0.00	0.03	-0.01	0.20	0.07	1		
14) Sales Growth	-0.08	0.02	-0.01	0.01	0.00	-0.02	0.01	-0.03	-0.02	0.00	-0.02	-0.02	-0.02	1	
15) High Status Business Group Affiliation	-0.03	0.01	-0.04	-0.18	0.13	0.01	0.05	-0.04	0.08	0.05	0.44	0.13	0.12	0.01	1

Table 3-3. Multinomial Regression Analysis on Restructuring Modes (Baseline Model = No Restructuring)

Variable	Model 1 DV=Layoffs	Model 2 DV=Asset Reductions	Model 3 DV = Both Layoffs and Asset Reductions
Family Ownership	0.00	-0.01**	-0.01
	(0.00)	(0.00)	(0.01)
Family CEO	0.15	-0.47**	-0.02
	(0.15)	(0.15)	(0.24)
Foreign Ownership	0.00	-0.01	-0.01
	(0.01)	(0.01)	(0.02)
ROE	-0.00	-0.02***	-0.03***
	(0.00)	(0.00)	(0.01)
State Ownership	-0.01	-0.02	0.00
	(0.01)	(0.02)	(0.01)
Owner Change	0.03	0.38	0.70**
	(0.23)	(0.23)	(0.26)
CEO Succession	-0.25	0.26	0.38
	(0.18)	(0.18)	(0.27)
Debt Ratio	-0.00†	-0.00	-0.00*
	(0.00)	(0.00)	(0.00)
Firm Size /[ln]	0.06	-0.22*	-0.22*
	(0.10)	(0.09)	(0.11)
Export Ratio	-0.00	0.00	-0.00
	(0.00)	(0.00)	(0.00)
Market Capitalization [ln]	0.02	0.01	-0.01
	(0.02)	(0.02)	(0.02)
Sales Growth	-0.01	0.00*	-0.02**
	(0.01)	(0.00)	(0.01)
High Status Business	-0.14	0.19	0.24
Group Affiliation	(0.20)	(0.17)	(0.26)
Intercept	-1.75*	0.80	0.28
	(0.75)	(0.73)	(0.93)
Pseudo R^2		0.06	
N		1656	

Standard errors are shown in parentheses. *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

Table 3-4. Fixed Effects Panel Logistic Regression Analysis on Restructuring[11]

Variable	Model 1 DV=Restructuring
Family Ownership	- 0.00
	(0.01)
Family CEO	-0.47†
	(0.25)
Foreign Ownership	0.00
	(0.01)
ROE	-0.01**
	(0.00)
State Ownership	-0.01
	(0.01)
Owner Change	0.23
	(0.20)
CEO Succession	0.16
	(0.16)
Debt Ratio	-0.00
	(0.00)
Firm Size /[n]	-0.32
	(0.20)
Export Ratio	0.01
	(0.01)
Market Capitalization [ln]	0.02
	(0.02)
Sales Growth	-0.00
	(0.00)
Intercept	-2.15*
	(0.87)
Log Likelihood	-668.14
N	1568

Standard errors are shown in parentheses. *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

[11] High status business group affiliation is omitted in the fixed effect model.

Table 3-5. Multinomial Regression Analysis on Restructuring Modes (Baseline Model = Asset Reductions Only)

Variable	Model 1 DV=Layoff over Asset Reductions
Family Ownership	0.02**
	(0.01)
Family CEO	0.54**
	(0.20)
Foreign Ownership	0.02*
	(0.01)
ROE	0.02***
	(0.01)
State Ownership	-0.01
	(0.02)
Owner Change	-0.03
	(0.23)
CEO Succession	-0.27
	(0.24)
Debt Ratio	-0.00
	(0.00)
Firm Size /[n]	0.11
	(0.12)
Export Ratio	-0.01*
	(0.00)
Market Capitalization [ln]	0.01
	(0.03)
Sales Growth	-0.00
	(0.00)
High Status Business Group Affiliation	-0.12
	(0.23)
Intercept	-1.70†
	(0.91)
Pseudo R^2	0.05
N	1416

Standard errors are shown in parentheses. *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

TABLE 3-6. Seemingly Unrelated Regressions on Restructuring Modes

Variable	Model 1. Layoffs	Model 2. Interaction Effects on Layoffs	Model 3. Asset Reductions
Family Ownership X Family CEO		-0.01†	
		(0.00)	
Family Ownership	0.00	0.00†	-0.01**
	(0.00)	(0.00)	(0.00)
Family CEO	0.15*	0.14*	-0.22**
	(0.07)	(0.07)	(0.07)
Foreign Ownership	0.00	0.00	-0.01*
	(0.00)	(0.00)	(0.00)
ROE	-0.00	-0.00	-0.01***
	(0.00)	(0.00)	(0.00)
State Ownership	0.00	0.00	-0.01
	(0.01)	(0.01)	(0.01)
Owner Change	0.07	0.08	0.28**
	(0.11)	(0.11)	(0.11)
CEO Succession	-0.09	-0.08	0.22*
	(0.09)	(0.09)	(0.09)
Debt Ratio	-0.00	-0.00	-0.00†
	(0.00)	(0.00)	(0.00)
Firm Size /[n]	0.02	0.02	-0.14***
	(0.04)	(0.04)	(0.04)
Export Ratio	-0.00*	-0.00*	0.00
	(0.00)	(0.00)	(0.00)
Market Capitalization [ln]	0.01	0.01	-0.00
	(0.01)	(0.01)	(0.01)
Sales Growth	-0.00***	-0.00***	0.00
	(0.00)	(0.00)	(0.00)
High Status Business Group Affiliation	-0.05	-0.07	0.15†
	(0.08)	(0.08)	(0.08)
N		1656	

Standard errors are shown in parentheses. *** $p<0.001$, ** $p<0.01$, * $p<0.05$, † $p<0.1$

GENERAL CONTRIBUTION OF DISSERTATION

This dissertation addresses organizational strategic responses to institutional demands in the form of adoption and adjustment of new management practices. Even though institutions and institutional pressures constrain organizational discretion to a large extent, organizations nevertheless attempt to pursue agency (Oliver, 1991; Seo & Creed, 2002; Thornton, Ocasio, & Lounsbury, 2012). This dissertation as a whole improves our understanding of the conditions that facilitate or constrain organizational agency and the modes through which organizations respond to institutional pressures. The first conceptual essay provides a general literature review of organizational agency and institutional pressures and focuses on organizations' use of ceremonial conformity as an important form of agency. By suggesting practice-level characteristics as the antecedents of organizations' ceremonial conformity, this essay provides a new academic angle to understand ceremonial conformity and organizations' agentic behaviors in general. In addition, by illuminating the practice variation of organizations when facing strong institutional demands, this essay paves the way to better understand the various modes through which organizations respond to institutional pressures and manifest agency even under strong institutions. These contributions are shared with the two empirical essays of this dissertation. Essay 2 focuses on organizational characteristics (status) and a practice characteristic (practice ambiguity) together in determining organizational response to institutionally requested practices by adjusting practice implementation level. Essay 3 sheds light on how a unique organizational characteristic (family involvement) leads to the choice of responses to institutional demands. In this sense, the three essays of this dissertation are in line with Oliver's (1991) broad conceptual model. Furthermore, this dissertation extends her model in the following ways. First, this dissertation elaborates Oliver's argument that organizational responses to institutional pressures are largely determined by the characteristics of the pressures. This dissertation delves into practice characteristics as critical antecedents for organizational response to institutional pressure. Second, in addition to focusing on antecedents of organizational agency, this dissertation explores the various modes of organizational agency by considering practice variation. Lastly, this dissertation provides an enhanced understanding of organizational agency by integrating characteristics of the practice, organization, and institution.

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