

# A BAIT-AND-SWITCH MODEL OF CORPORATE SOCIAL RESPONSIBILITY

PATRICK HAACK  
University of Lausanne

DIRK MARTIGNONI  
Università della Svizzera italiana

DENNIS SCHOENEBOERN  
Copenhagen Business School  
Leuphana University of Lüneburg

The notion that transparency forces organizations to eschew decoupling and embrace substantive adoption represents an important assumption in the corporate social responsibility (CSR) literature. Conversely, research on learning and social control has considered opacity—understood as a lack of transparency—to be conducive to substantive CSR adoption. These opposing viewpoints highlight a fundamental tension: Is transparency good or bad for substantive adoption? This paper resolves this tension by asking an alternative question: When is transparency good or bad, and why? We advance a dynamic perspective that conceives transparency and opacity as transitory phenomena, and we specify the boundary conditions for which either enduring or transitory forms of transparency and opacity further the substantive adoption of CSR. Our analyses reveal that, for circumstances under which the motivation of ceremonial adoption is hypocritical (rather than opportunistic) and where both substantive adoption and practice abandonment are difficult, the former can be maximized by first allowing organizations to adopt a CSR practice ceremonially under opacity (“bait”), and then prompting ceremonial adopters to become substantive adopters through a shift to transparency (“switch”). Specifying this bait-and-switch mechanism and its underlying contingencies reveals a hitherto unexplored, and potentially effective, pathway toward the institutionalization of CSR.

The last two decades have witnessed the emergence of a plethora of principle-based initiatives, certifications, reporting and accountability frameworks, and other modes of industry self- or coregulation in the realms of human rights, social rights, and environmental protection (Rasche & Waddock, 2017). Organizations are under pressure to integrate such

corporate social responsibility (CSR) practices into their strategies and operations, and there is a growing research interest in the antecedents, outcomes, and processes of CSR (Aguinis & Glavas, 2012; Wang, Tong, Takeuchi, & George, 2016). Given the prevalence and growing significance of CSR, management scholars have sought to identify conditions that facilitate the substantive adoption of CSR—that is, the actual implementation of a CSR practice in an organization’s core activities and processes such that it is likely to become an integral and enduring part of the organization (e.g., Durand, Hawn, & Ioannou, 2019; Zeitz, Mittal, & McAulay, 1999).

In this context, research has suggested that *transparency*, understood as conditions that make it relatively easy for external observers to accurately evaluate the degree to which CSR is implemented, can help reveal a lack of substantive adoption (e.g., Marquis & Qian, 2014). As a consequence,

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transparency may threaten the organization's legitimacy and subject it to strong criticism and pressure to justify its failure to adopt a CSR practice substantively (Christmann & Taylor, 2006; Lange & Washburn, 2012). Scholars have thus concluded that transparency fosters the substantive adoption of CSR and helps eschew ceremonial adoption and decoupling, the merely symbolic pretense of following a practice without embedding it in the organization's core activities (Boiral, 2007). However, other scholars have suggested that the call for transparency is insufficient as a means to promote the substantive adoption of CSR and may even turn out to be counterproductive for enhancing CSR in business operations (Gold & Heikkurinen, 2018). Indeed, research on learning and social control (Bernstein, 2012, 2017) has demonstrated that *opacity*, understood as conditions under which it is relatively difficult for external observers to accurately determine the degree to which a practice is implemented, is a necessary condition for substantive adoption, because it enables organizations to explore, embrace, and eventually enact the behavioral prescriptions enshrined in CSR policies and principles—a conclusion that is diametrically opposed to those emphasizing the beneficial effects of transparency.

We seek to reconcile the fundamental tension between “transparentist” and “opacitist” positions in order to advance theory on substantive CSR adoption. By developing a Markov chain model, which is a formal modeling technique frequently applied in organization science (e.g., Pentland, Hærem, & Hillison, 2010), we demonstrate that the alleged contradiction between transparency and opacity can be resolved in a dynamic perspective. The Markov model allows us to consider the possibility that evaluation regimes (reflecting the degree to which the implementation of CSR practices is visible to external observers) may change, even drastically, over time. We are particularly concerned with exploring circumstances under which enduring or transitory forms of transparency and opacity further the substantive adoption of CSR in a given field or industry. Specifically, we compare adoption outcomes for four ideal-typical regime sequences: enduring opacity, enduring transparency, transitory opacity (i.e., opacity followed by transparency), and transitory transparency (i.e., transparency followed by opacity).

Our analyses reveal that different regime sequences can be optimal, depending on the practice adoption rate (i.e., the likelihood that an organization adopts a CSR practice substantively) and the practice

abandonment rate (i.e., the likelihood that an organization abandons a practice once adopted substantively). Importantly, if both rates are low, the share of substantive adoption can be maximized under a regime sequence of transitory opacity, especially if ceremonial adoption is primarily driven by a hypocritical motivation—that is, the attempt to benefit from CSR without incurring considerable costs. In such circumstances, opacity allows organizations to adopt the practice ceremonially in a first step (“bait”), and then a switch to a regime of transparency prompts ceremonial adopters to become substantive adopters in a second step (“switch”). Specifying this “bait-and-switch” mechanism<sup>1</sup> and its underlying contingencies reveals an unexplored conundrum: Even though transparency constitutes a central tenet of CSR research and has been shown to be essential to advance the organizational embedding of CSR, a regime sequence of enduring transparency may result in a lower share of substantive CSR adoptions compared to transitory opacity.

Our paper makes three primary contributions. First, we employ an explicit processual perspective that reveals that both transparentist and opacitist perspectives are valid (Poole & Van de Ven, 1989). Reconciling conflicting viewpoints, we demonstrate that, for certain conditions, a regime sequence of transitory opacity maximizes the extent of substantive adoption, while enduring transparency is less effective. Our model thus challenges the “transparency imperative” (Ringel, 2019)—that is, the largely taken-for-granted assumption that transparency is beneficial for the institutionalization of CSR. Second, our model has profound implications for institutional theory. Because decoupling policy from practice can be helpful to the diffusion of ceremonial adoption, which then may trigger a switch from opacity to transparency that enforces substantive adoption, it can also be conducive to the institutionalization of CSR. Hence, while decoupling has commonly been conceived as a strategy to ensure legitimacy in a context of institutional complexity (Meyer & Rowan, 1977), it can also be conceptualized as an endogenous source of institutional change (Boxenbaum & Jonsson, 2017). Third,

<sup>1</sup> Please note that the term “bait-and-switch” may raise negative connotations—for instance, when referring to ethically questionable business practices in the area of marketing and sales (Wilkie, Mela, & Gundlach, 1998). Given that our article identifies bait-and-switch as an important mechanism to foster the substantive adoption of CSR practices, we aim to resignify and recontextualize the term with a positive meaning.

by recognizing the “value of method in advancing theory” (Greenwald, 2012: 106), our paper exemplifies how researchers can use formal models to advance theory on CSR.

### TRANSPARENCY VERSUS OPACITY

The role social evaluations play in CSR has recently attracted considerable scholarly attention (e.g., Cuypers, Koh, & Wang, 2016); however, the relationship between social evaluation and CSR adoption has not been theorized or studied systematically thus far. In this paper, we argue that a thorough understanding of the evaluation–adoption link can offer important insights on how to ensure that CSR becomes a fully integrated and widely embraced practice. The interest in social evaluations is grounded in evidence that organizations and their activities are increasingly assessed by a variety of evaluators, such as customers, investors, and society at large. Such assessments are institutionalized over time into structural properties of the external environment, which in turn shape organizations’ sensitivity to legitimacy pressures (Bitektine & Haack, 2015). With the term “evaluation regime” we refer to the degree to which the implementation of CSR practices is visible to external observers. Under an evaluation regime of transparency, disclosure data are widely available, and it is relatively easy for external observers to accurately determine whether a CSR practice is adopted substantively or ceremonially (Crilly, Zollo, & Hansen, 2012). Conversely, under opacity, observability is obstructed, making it difficult for external observers to unequivocally determine the degree of practice implementation.<sup>2</sup>

The prevalent assumption in the CSR literature is that transparency enhances substantive CSR adoption, as it forces organizations to forgo ceremonial

adoption and the habit of policy–practice decoupling in favor of aligning rhetoric with action. Conversely, there is evidence that opacity is a necessary condition for substantive CSR adoption, as it fosters organizational learning and allows adopters to experiment with, and make sense of, the novel practices they adopt. Table 1 summarizes the key differences of the ideal-type positions of transparentist and opacitist views, which the next sections discuss in further depth.

### The Transparentist Perspective

The call for transparency is the hallmark of what we refer to as the *transparentist* view in CSR research (e.g., Gilbert, Rasche, & Waddock, 2011; Sethi & Schepers, 2014) as well as in institutional theory (e.g., Boiral, 2007). Proponents of this view have argued that monitoring and public scrutiny foster the substantive adoption of CSR, since transparency is believed to help expose “greenwashing”—that is, the hypocritical promotion of a “green” or socially responsible image (Delmas & Burbano, 2011). From the viewpoint of institutional theory, the notion of greenwashing reflects that an organization engages in policy–practice decoupling, meaning that the organization’s formal structure is only loosely linked to its actual activities (Bromley & Powell, 2012; Meyer & Rowan, 1977). Such decoupling is equivalent to ceremonial adoption and represents a strategy that allows organizations to maintain legitimacy in the face of contradictory institutional demands, while also helping a policy to be widely diffused (Boxenbaum & Jonsson, 2017; Bromley & Powell, 2012). However, the widespread diffusion of a policy and increasing rates of adoption may reveal more about the growing uniformity in formal policies than about the organizational embedding and integration into concrete work activities (Schneiberg & Clemens, 2006; Zeitz et al., 1999). Accordingly, researchers in both business ethics and institutional theory have concentrated on the question of whether organizations actually implement CSR practices (Aravind & Christmann, 2011; Boiral, 2007), and have examined various antecedents and consequences of decoupling (Behnam & MacLean, 2011; Christmann & Taylor, 2006). In the same context, low entry barriers for CSR adoption and lax enforcement mechanisms and reporting requirements have been found to encourage shirking and free riding (Zeyen, Beckmann, & Wolters, 2016) and to institutionalize unethical and opportunistic behavior within organizations (Weaver, Treviño, & Cochran, 1999).

<sup>2</sup> For instance, transparency can be said to characterize the domain of gender diversity, as the application of gender quotas in corporate boards is publicly available for stock-listed companies and thus can be unambiguously determined. In contrast, the Swiss agricultural trading industry is characterized by a regime of opacity, since industry members have been unable or unwilling to disclose specific information regarding the degree to which UN policies and guidelines on human rights and environmental protection are implemented (Berne Declaration, 2019). This example illustrates that opacity can be induced by business firms who are reluctant to disclose data on CSR performance or who deliberately make disclosures complex and hard to understand (Fabrizio & Kim, 2019).

**TABLE 1**  
**Comparison of Transparentist and Opacitist Perspectives**

	Transparentists	Opacitists
<b>Key assumptions</b>	Transparency nurtures substantive adoption	Opacity nurtures substantive adoption
<b>Assessment of ceremonial adoption</b>	Unfavorable, because it impedes substantive adoption	Favorable, because it can further substantive adoption
<b>Practical implications</b>	Enforce substantive adoption by raising requirements and imposing sanctions	Promote substantive adoption by providing time and leeway for exploration and experimentation
<b>Key metaphor</b>	Walk the talk	Talk the walk
<b>Disciplines and exemplary publications</b>	Institutional theory: Boiral (2007), Meyer and Rowan (1977), Wijen (2014); business ethics research: Aravind and Christmann (2011), Behnam and MacLean (2011)	Learning and social control: Bernstein (2012), Tenbrunsel and Messick (1999); organizational communication: Christensen, Morsing, and Thyssen (2013), Haack, Schoeneborn, and Wickert (2012)

On the basis of these findings, research has shown that firms are more likely to act in socially responsible ways and to adopt CSR practices substantively when third parties monitor and inspect their behavior (e.g., Marquis, Toffel, & Zhou, 2016). Indeed, institutional theory assumes, albeit often implicitly, that transparency furthers the substantive adoption of CSR (e.g., Behnam & MacLean, 2011). For instance, most research on policy–practice decoupling has rested on the assumption that observers are guided by the “logic of confidence and good faith” (Meyer & Rowan, 1977: 357), according to which external observers trust organizations to act in line with the legitimate goals of an adopted policy. Hence, observers typically abstain from evaluation and do not scrutinize the degree of actual implementation (Zajac & Westphal, 2004). However, given that demands for accountability and transparency have intensified in recent decades (Bromley & Powell, 2012; Wijen, 2014), scholars have emphasized that decoupling may be difficult to maintain (Marquis & Qian, 2014). External observers of corporations, such as nongovernmental organizations (NGOs), are skeptical as to whether rhetorical commitments are indeed genuine, and often penalize decoupling through “naming and shaming” campaigns (den Hond & de Bakker, 2007). Likewise, internal constituents, such as employees, tend to refuse to support ceremonial behavior or to engage in “Goffmanesque backstage/frontstage activities” (Tolbert & Zucker, 1996: 179). This particularly applies to CSR, a context in which employees search for purpose and meaning through their work and thereby defy the formation of organizational façades (Carnahan, Kryscynski, & Olson, 2017; Girschik, 2020). There is

substantial support for the claim that the widespread demands for transparency make it difficult for decoupling, and thus ceremonial adoption, to be perpetuated in the context of CSR (Marquis et al., 2016). Hence, like their colleagues in business ethics, institutional theorists have suggested that promoting transparency, tightening requirements, and, where necessary, penalizing ceremonial adoption and decoupling further the substantive adoption and institutionalization of CSR.

### The Opacitist Perspective

It has been pointed out that “rarely does one hear about any negative effects of transparency or problems stemming from too much transparency” (Bernstein, 2012: 182). Nevertheless, there is evidence that systems of surveillance reduce the intrinsic motivation of organizational members (Frey, Homberg, & Osterloh, 2013) and negatively affect learning and trust, thus diminishing organizational performance (Gilbert & Behnam, 2013; Tenbrunsel & Messick, 1999). Other works have suggested that detailed behavioral prescriptions focusing on compliance reduce the decision-making ability of employees regarding moral issues, and impede the discovery of solutions to moral dilemmas (Zhang, Gino, & Margolis, 2018).

Citing the negative effects of transparency, proponents of the *opacitist* view have argued that a lack of transparency can, in fact, facilitate substantive adoption. Under opaque conditions, it is difficult for external observers to accurately assess organizational activities, outcomes, and performance and to make sense of how these interrelate (Bernstein, 2012).



Notwithstanding this difficulty, opacitists have argued that opacity can improve organizational learning and thus, by implication, can increase the likelihood that organizations will adopt practices substantively (Weick, 1995). From this viewpoint, opacity ensures that ceremonial adopters have sufficient time and leeway to adapt CSR practices to ensure that they fit with the organization's culture and meaning structures (Ansari, Fiss, & Zajac, 2010). Hence, opacitists have cautioned against imposing surveillance, as they believe that a focus on compliance can have a detrimental impact on exploration and creativity and thus can hinder learning. Scholars have also pointed out that transparency may induce organizational members to establish "new backstages" (Ringel, 2019: 5) by hiding their activities through encryption and other costly means (Bernstein, 2012). Weick (1995: 183) summarized the opacitist rationale as follows:

If [managers] are forced to walk the talk, this may heighten accountability, but it is also likely to heighten caution and inertia and reduce risk taking and innovation. This outcome occurs not just because people are scared. It occurs because people who are forced to walk the talk prematurely often forgo exploration and walk on behalf of words that they barely understand. Because things that are poorly understood are things that tend to be seen as uncontrollable, they seem like threats rather than opportunities. Innovation shuts down.

Thus, from an opacitist viewpoint, ceremonial adoption helps adopters understand the need to honor their promises and to thoroughly implement CSR practices. Accordingly, opacity enables "bad" managers and firms to explore novel ways of "becoming good" (March, 1989: 263). This understanding is based on the premise that adoption goals are not fixed or predetermined; rather, goals are newly discovered when certain means become available, specifically in the context of CSR, where problems are often "wicked" and defy easy solutions (Haack & Schoeneborn, 2015). It follows that the most effective way to institutionalize CSR is to encourage experimentation (Ferraro, Etzion, & Gehman, 2015) and allow organizations to freely decide whether, when, and how to adopt a practice substantively (Ansari et al., 2010).

From the same standpoint, organizations should not be automatically penalized for hypocrisy and greenwashing. Instead, opacitists propose that decoupling should be tolerated to some extent, on the grounds that it enables organizations to "talk the walk" (Schoeneborn, Morsing, & Crane, 2020) and,

in so doing, to explore, embrace, and eventually enact ethical prescriptions (March, 1995; Weick, 1995). Christensen et al. (2013) reconsidered the consequences of ceremonial adoption in the CSR context and suggested that "aspirational talk" (i.e., the rhetorical pledges of ceremonial adopters to reduce the gap between actual and projected behavior) may lead organizational members to reassess their self-perception and goals. In this view, the ceremonial adoption of a practice can be conducive to institutionalization, as public commitments to certain CSR goals create pressure for accountability, which makes organizational members more likely to "live up" to their promises and shift their behavior toward substantive CSR adoption.

### DYNAMICS OF SOCIAL EVALUATION

If considered in isolation, the transparentist and opacitist perspectives each represent a rather static description of social reality that assumes a unidirectional relationship between the given evaluation regime and an organization's CSR adoption decision—that is, either the ceremonial or substantive adoption of CSR. However, neither perspective has considered in sufficient depth the possibility that an industry can switch from a regime of opacity to transparency, or vice versa, nor that such a switch may be triggered by practice adoption outcomes at the field or industry level. This section explores the notion of changing evaluation regimes in further depth and elaborates that regime switches can be triggered either exogenously or endogenously. By doing so, we build an internally consistent and explicit processual perspective on the relationship between social evaluation and practice adoption that aims to solve the contradiction between transparentist and opacitist viewpoints (Poole & Van de Ven, 1989).

*Exogenous* triggers may occur through regulatory and legislative interventions that mandate socially responsible behavior and policies intended to advance substantive CSR practice adoption (Berger-Walliser & Scott, 2018). These measures can enforce a regime switch, either from transparency to opacity or, more representative of the context of CSR, from opacity to transparency. As an example of the latter type of switch, the European Union has recently acknowledged the importance of transparency on environmental and social matters and thus enforced the mandatory disclosure of nonfinancial information by large companies, requesting information on

policies, risks, and results regarding matters of environmental protection, human rights, social and labor rights, anticorruption, and diversity on boards of directors (European Commission, 2014). Other prominent examples include China's 2008 mandate that business firms must disclose their CSR activities (Chen, Hung, & Wang, 2018) and the U.S.'s 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act, which requires disclosure of the use of “conflict minerals” in products manufactured by covered entities (Woody, 2012). Besides such direct interventions, a change of evaluation regimes can be also enforced indirectly, such as through regulators' attempts to “nudge” organizations into desired behavior through the design of regulatory choice architectures (e.g., Pilaj, 2017).

However, switches between evaluation regimes may also occur *endogenously*. This can happen, for instance, when the growing prevalence of ceremonial adoptions provokes a self-reinforcing social dynamic, which induces a switch in evaluation regimes at the industry level. This notion matches evidence that the early participation of ceremonial adopters in CSR initiatives is better than the participation of only those firms that undertake substantive action (Delmas & Montes-Sancho, 2010). This appears to be the case because growing adoption numbers and support help CSR initiatives to reach a status of exteriority and facticity (Berger & Luckmann, 1967), signaling that the prescriptions and principles of the respective practices are valid and ought to be followed (Cashore, 2002). However, when ceremonial adoption is ubiquitous in an industry because of low entry barriers and low demands for transparency, both substantive and ceremonial adopters are categorized as similar members of the same industry and thus become “tarred with the same brush,” as opacity makes it hard for external observers to discern differences in each organization's mode of adoption (Barnett & King, 2008; Yu, Sengul, & Lester, 2008). In such cases, observers may erroneously extrapolate single instances of ceremonial adoption to the whole population of organizations (Jonsson, Greve, & Fujiwara-Greve, 2009). It follows that both ceremonial and substantive adopters suffer from a negative spillover and are discredited in the eyes of external observers (Diestre & Rajagopalan, 2014; Yu et al., 2008). Consequently, it is in the interest of substantive adopters to differentiate themselves from ceremonial adopters and to seek to enforce transparency, such as by setting up stronger governance and self-regulatory institutions that monitor

compliance and sanction free riding (Desai, 2011). As a result, and fully in line with the transparentists' arguments, increasing numbers of organizations can be expected to switch from ceremonial to substantive adoption, fueling a self-reinforcing process that facilitates substantive adoption.<sup>3</sup> To set such processes of differentiation and “ratcheting up” in motion, it may be necessary to start from a state of opacity. This can allow the number of ceremonial adopters to reach a “critical mass”—that is, a tipping point at which substantive adopters demand that the operations of their competitors who adopt merely ceremonially be made observable and subject to social control at the field level.

### MARKOV CHAIN MODELS AS A TOOL FOR THEORY BUILDING

The opposing positions of transparentists and opacitists are both valid and can be reconciled, if reconsidered from a dynamic perspective that treats the evaluation regimes of opacity and transparency as existing in a sequential succession. To contribute to the development of such a perspective, and to gain a better understanding of the role of different evaluation regimes in promoting substantive CSR adoption, we employ a formal modeling approach. Formal modeling can serve as a helpful tool for generating theory, especially when the focal phenomenon is complex and involves multiple interacting processes, as well as when it is difficult to obtain large-scale empirical data (Adner, Pólos, Ryall, & Sorenson, 2009). In such contexts, formal modeling allows researchers to systematically experiment with assumptions and constructs to refine and build theory (Harrison,

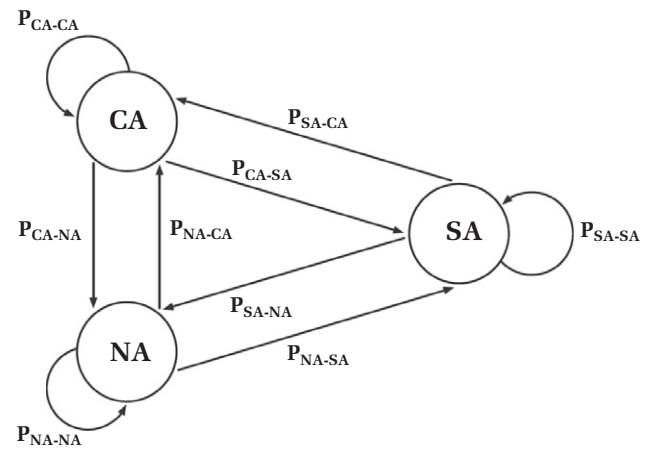
<sup>3</sup> A self-reinforcing and largely endogenous switch in evaluation regimes is corroborated by the finding that public benchmarking and rankings enhance the environmental performance of low-performing adopters (Chatterji & Toffel, 2010) and the proposition that the differentiation of firms according to certain performance criteria can lead to a “ratcheting-up effect” in CSR performance (Overdevest, 2010). Examples of differentiation include the tiered system of the Leadership in Energy and Environmental Design certification program (Potoski & Prakash, 2013) or the differentiation framework of the UN Global Compact (Baccaro & Mele, 2011). Differentiation can also occur at the level of CSR initiatives through membership associations, such as the International Social and Environmental Accreditation and Labeling Alliance, which benchmark initiatives and assess their compliance with best practices (Potoski & Prakash, 2013).

Lin, Carroll, & Carley, 2007). Formal modeling also requires scholars to make their assumptions and constructs explicit, thereby reducing the ambiguity of meaning associated with verbal theorizing (Sudaby, 2010).

By offering precision with respect to the underlying assumptions and logical consistency of verbal theorizing, as well as an ability to identify unanticipated implications, Markov models share the general benefits of formal modeling approaches. Markov models are probabilistic and allow researchers to represent the states of a process over time and to predict the final state on the basis of the initial states and transition probabilities at each point in time (Abbott, 1990). They are particularly suitable for tackling a major challenge when studying the relationship between social evaluation and practice adoption. This is because the task of assessing the share of substantive adopters within an industry requires careful and longitudinal investigation of both the diffusion of practice adoption and the quality of practice implementation. However, ceremonial behavior and decoupled practices are not easy to observe, especially across many organizations, because organizations are often unwilling or unable to disclose information about internal CSR activities (Aravind & Christmann, 2011; de Bakker, Rasche, & Ponte, 2019). Given these impediments, previous research has primarily focused *either* on practice diffusion at the field level (e.g., Delmas & Montes-Sancho, 2011) *or* on the quality of practice implementation within individual organizations at one point in time (e.g., Humphreys & Brown, 2008). However, since adoption decisions involve dynamics at both the organizational and the field levels (Hoffman, 2001), theory advancement is needed in order to comprehend how a given evaluation regime affects the transition between different stages of adoption at the organizational level and how single instances of adoption, in turn, scale up to promote the diffusion and implementation of practices at the industry or institutional field level.

Formal models based on Markov chains enable researchers to address this challenge in two main ways. First, given that Markov models create their own virtual data and allow researchers to compute an infinite number of counterfactual scenarios, they do not entail the issues of distrust and inadequate disclosure. Second, Markov models help reveal how adoption patterns scale up to produce higher-level outcomes, providing a viable method of creating a

**FIGURE 1**  
**The Markov Chain Model**



“simple theory” of how CSR is institutionalized at the field level (see Davis, Eisenhardt, & Bingham, 2007: 481). The Markov approach is thus particularly effective in advancing theory on the interplay between social evaluation and practice adoption.

### ANALYTICAL APPROACH

To take first steps toward formalizing a theory of CSR practice adoption, we intentionally build a parsimonious model. We model the CSR practice adoption process as a Markov process and distinguish between three different states: nonadoption (NA), ceremonial adoption (CA), and substantive adoption (SA). In each period, organizations may remain in their current state or move to a different one.<sup>4</sup> These moves are reflected in transition probabilities ( $P$ ):

<sup>4</sup> Like any theoretical model, ours is a deliberate simplification that serves as a point of departure for understanding a much more complex reality. While we could have included more variables, doing so would have come at the cost of comprehensibility. Thus, we chose to “start somewhere” (Repenning, 2002: 110) and to analyze the processes we consider to be central to the relationship between social evaluation and practice adoption. While there is always “one more variable, one more relation to include, one more variable to make endogenous, or one more feature that someone may want to add to make [the model] more realistic,” the tendency to maximize realism often fails to align with the model’s purpose, thus constituting a “reality trap” in formal modeling (Burton & Obel, 2011: 1122).

TABLE 2  
Possible Regime Sequences

	Phase 1 ( $t = 1 \dots R$ )	Phase 2 ( $t = R + 1 \dots T$ )	Literature
Enduring opacity (O/O)	Opacity	Opacity	Opacitists: e.g., Bernstein (2012)
Enduring transparency (T/T)	Transparency	Transparency	Transparentists: e.g., MacLean and Behnam (2010)
Transitory opacity (O/T)	Opacity	Transparency	<i>Largely unexplored</i>
Transitory transparency (T/O)	Transparency	Opacity	<i>Largely unexplored</i>

$$P = \begin{pmatrix} p_{NA-NA} & p_{NA-CA} & p_{NA-SA} \\ p_{CA-NA} & p_{CA-CA} & p_{CA-SA} \\ p_{SA-NA} & p_{SA-CA} & p_{SA-SA} \end{pmatrix}$$

For example, the probability that an organization moves from nonadoption to substantive adoption is given by  $p_{NA-SA}$ , while the probability that an organization moves from nonadoption to ceremonial adoption is given by  $p_{NA-CA}$ . Figure 1 provides an overview of the Markov model that we use in this paper.

If the initial share of organizations in the different states is known, we can compute the corresponding shares for all subsequent periods and thus the extent of substantive adoption at each point in time. Specifically, the distribution of states after  $H$  periods (i.e., after a certain number of periods under the regime of transparency) is given by  $x(t) = x(0)P^H$ , and the initial distribution of states is given by  $x(0)$  and the transition matrix  $P$ . Implicit in this formulation is the assumption that the transition probabilities (and, accordingly, the evaluation regime) do not change. In our analyses, however, we also consider changes to the evaluation regime—that is, a switch from opacity to transparency or vice versa. For example, if the evaluation regime switches from opacity to transparency after  $R$  periods, then the state distribution is given by  $x(H) = x(0)O^R T^{H-R}$ . Similarly, if transparency is followed by opacity, then the state distribution is given by  $x(H) = x(0)T^R O^{H-R}$ . We compare the four different process sequences in Table 2.

We set the regime switch to period  $R = 5$  and assume that a switch occurs between two time periods and is reflected in a change in the respective transition matrix.<sup>5</sup> Throughout the paper, we report analyses for a parsimonious model that does not take into account the possibility that adoption and

abandonment decisions are affected by the decisions of other organizations. In additional analyses we demonstrate that results are also robust to social influence (see Appendix A).

## MODEL SPECIFICATION

In our analyses, we seek to make as few assumptions as possible about the transition probabilities and instead report the results on as many combinations of transition probabilities as possible. However, given that each transition matrix has six degrees of freedom, the possible parameter space is  $6 \times 6 = 36$ -dimensional.<sup>6</sup> Reporting its results and analyzing such a high-dimensional parameter space is extremely difficult, if not impossible. Therefore, in a next step, we made some plausible assumptions to reduce the dimensionality of the parameter space and enhance our understanding of the model's basic dynamics.<sup>7</sup> Specifically, in a first step, to reduce the parameter space, we hold constant the transition matrix for opacity and vary only the parameters for the transparency matrix, thus reducing the number of parameters to six. We chose the following transition probabilities for the opacity matrix:

$$O = \begin{pmatrix} 0.7 & 0.2 & 0.1 \\ 0.1 & 0.7 & 0.2 \\ 0.1 & 0.2 & 0.7 \end{pmatrix}$$

These choices for the transition probabilities under a regime of opacity reflect several implicit assumptions. By definition, the evaluation regime of opacity is characterized by restricted observability and inaccurate observations. Accordingly, in the opacity regime, it is relatively difficult to differentiate between ceremonial and substantive adoption,

<sup>5</sup> We tested the robustness of our key findings to changes in the parameter choices (including, for example,  $R$ ) and to alternative formulations of our model (including, for example, more gradual transitions between evaluation regimes). Our key findings are unaffected by these changes (analyses available on request).

<sup>6</sup> The row sum must be 100%, reducing the degrees of freedom from 9 to 6 for each of the two matrices, one for opacity and the other for transparency.

<sup>7</sup> In additional analyses we relax these assumptions and show that our findings hold for a wide range of parameter combinations (see Appendix B).



and the prevailing conditions make ceremonial adoption (reflected in the entries in the central column) a viable option. Furthermore, we assume that there is some inertia in organizations, such that maintaining the status quo is often the most likely outcome (Hannan & Freeman, 1984). This assumption is reflected in the fact the diagonal elements of the matrix are set to values of 0.7 for all states—and in that sense larger than the probability of any change ( $1 - 0.7 = 0.3$ ). Another assumption is that if nonadopters adopt a practice under a regime of opacity, they are more likely to adopt it ceremonially than substantively ( $o_{NA-CA} > o_{NA-SA}$ ) because in-depth implementation tends to be costly and time-consuming (Baumann-Pauly, Wickert, Spence, & Scherer, 2013; Wickert, Scherer, & Spence, 2016). We also assume that firms that have adopted a practice only ceremonially are more likely to subsequently adopt it substantively than to abandon it ( $o_{CA-SA} > o_{CA-NA}$ ). This assumption is consistent with the notion of coupling, which refers to the gradual alignment of structure and actual activity in organizations. Coupling can be driven by cohort replacement (Tilcsik, 2010) and committed employees who tend to resist and actively work against decoupling (Hallett, 2010). The chosen transition probabilities thus reflect the insight that decoupling is not stable (Tolbert & Zucker, 1996). This view is in line with those of Bromley and Powell (2012) and Wijen (2014), who stressed that ceremonial adoption tends to evolve into substantive adoption, supporting the notion that regular exposure to the goals of CSR practices may progressively lead to goal internalization and organizational change (Christensen et al., 2013, 2020; Haack et al., 2012). Finally, we assume that the regime of opacity does not preclude the existence of some “true believers”—that is, organizations that are genuinely committed to CSR and that thus invest a significant amount of resources to adopt CSR practices substantively (e.g., Boiral, 2007; Girschik, 2020). This assumption is reflected in a nonzero value of the probability of becoming a substantive adopter (i.e.,  $o_{NA-SA} = 0.1$  and  $o_{CA-SA} = 0.2$ ). In additional sensitivity analyses, we excluded the possibility of true believers under a regime of opacity ( $o_{NA-SA} = 0$ ). Our results are not affected by this more conservative assumption (analyses available on request).

For the regime of transparency, we vary all parameters and make only one assumption: In a context of transparency, ceremonial adoption is not a viable option for organizations since they seek to avoid social disapproval and perceptions of corporate

irresponsibility (Lange & Washburn, 2012). This assumption is substantiated by evidence that, in a context of surveillance and social control, the ceremonial adoption of a practice poses a significant risk for organizations, especially in the context of CSR (Marquis & Qian, 2014; Wijen, 2014). Indeed, CSR and other “morally charged” practices mirror a special kind of institutional expectation—namely, that being legitimate requires being “good” and acting rightfully, not hypocritically. Consequently, in our model, under a regime of transparency, the probability of an organization moving to the state of ceremonial adoption or remaining in that state is zero ( $p_{NA-CA} = p_{SA-CA} = p_{CA-CA} = 0$ ). In additional analyses, we relax this assumption and instead assume that ceremonial adoption is viable even under a regime of transparency ( $p_{NA-CA} = p_{SA-CA} = p_{CA-CA} > 0$ ). These analyses show that the results are not sensitive to this alternative assumption, provided that the likelihood of ceremonial adoption is lower under a regime of transparency than under a regime of opacity (analyses available upon request). With this simplified assumption, the transparency matrix can be fully defined by three parameters ( $t_{NA-SA}$ ,  $t_{CA-SA}$ , and  $t_{SA-NA}$ ):

$$T(t_{NA-SA}, t_{CA-SA}, t_{SA-NA}) = \begin{pmatrix} 1-t_{NA-SA} & 0.0 & t_{NA-SA} \\ 1-t_{CA-SA} & 0.0 & t_{CA-SA} \\ t_{SA-NA} & 0.0 & 1-t_{SA-NA} \end{pmatrix}$$

These three parameters can be interpreted in conceptual terms: First, recall that under a regime of transparency ceremonial adoption is not feasible; thus, if a practice is adopted, it can only be adopted substantively. The CSR *adoption rate* ( $t_{NA-SA}$ ) then reflects the probability that an organization that has not yet adopted a CSR practice adopts it substantively in a given period. Second, in a context of transparency organizations cannot decouple, and thus transitions from substantive to ceremonial adoption are impossible ( $t_{SA-CA} = 0$ ). However, since we also consider cases in which a regime of transparency is preceded by a regime of opacity, some firms may have adopted a practice ceremonially under opacity. Such ceremonial adoption is unmaintainable and lacks stability under a regime of transparency. The parameter  $t_{CA-SA}$  can thus be understood as the *coupling rate*—that is, the probability that a ceremonial adopter turns into a substantive adopter in a given period. Finally, the parameter  $t_{SA-NA}$  refers to the CSR *abandonment rate*—that is, the probability that

FIGURE 2  
Optimal Regime Sequences

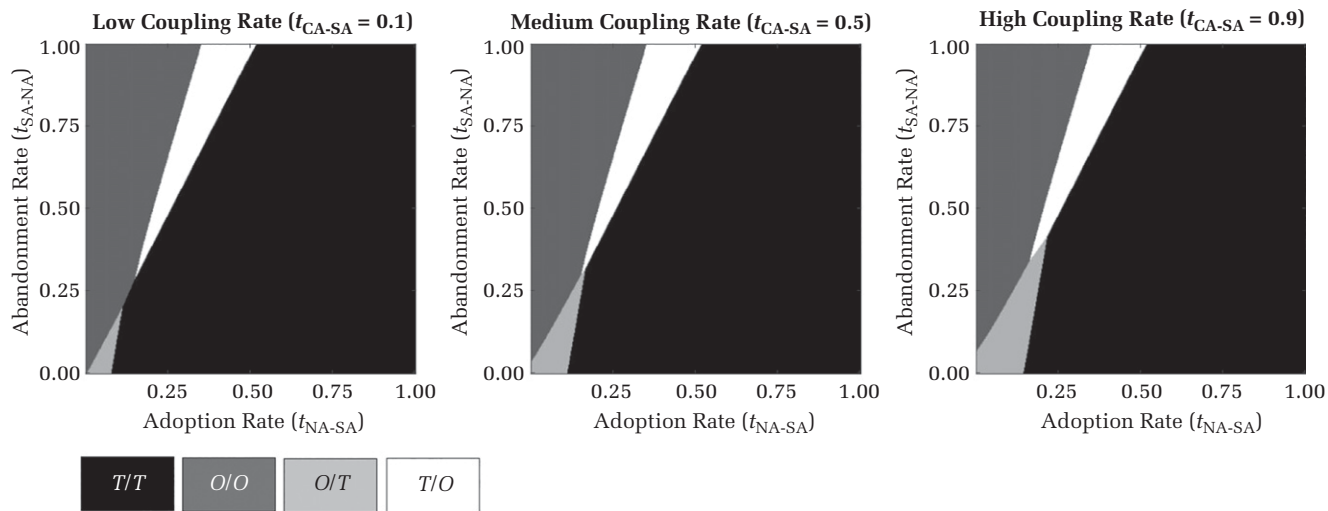
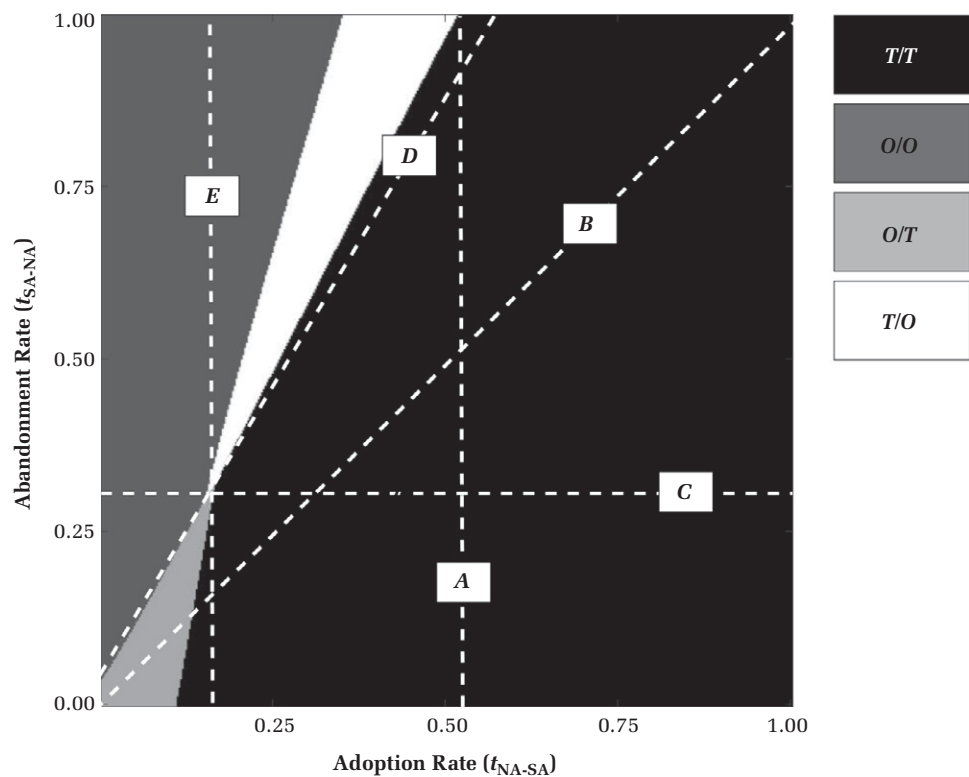


FIGURE 3  
Boundary Conditions (Coupling Rate  $t_{CA-SA}=0.5$ )



a firm drops out of substantive adoption and moves to nonadoption in a given period.

## RESULTS

In Figure 2, we report, for all possible combinations of adoption and abandonment rates, which of the four process sequences ( $T/T$ ,  $O/O$ ,  $O/T$ , and  $T/O$ ; see Table 2) maximize the share of substantive adopters under transparency (averaged over periods  $t = 1$  to  $t = 25$ ). Each point in a panel reflects a different combination of adoption rate ( $t_{NA-SA}$ , x-axis) and abandonment rate ( $t_{SA-NA}$ , y-axis). The different colors reflect the regime sequence that is optimal for a specific combination of adoption and abandonment rate (black =  $T/T$ , dark gray =  $O/O$ , white =  $T/O$ , light gray =  $O/T$ ). The three panels reflect different coupling rates—that is, respective values for  $t_{CA-SA}$  of 0.1 (left panel), 0.5 (middle panel), and 0.9 (right panel). Figure 2 thus displays three different “slices” cut through the parameter space of the transparency matrix.

Two findings are noteworthy: First, varying the coupling rate  $t_{CA-SA}$  does not change the general pattern of results. It follows that dynamics related to coupling processes such as widespread “aspirational talk,” which assumes that action eventually follows rhetorical pledges in the context of ceremonial adoption (Christensen et al., 2013), can be a conducive condition for a regime sequence to maximize the share of substantive adoption (i.e., it may increase the parameter space for which a regime sequence is optimal), but it is not a sufficient condition. The question of whether a particular regime sequence is optimal is determined primarily by additional factors: the adoption and abandonment rates, as well as the relationship between these rates. Second, our results suggest that both the transparentist and opacitist perspectives can be valid. For both enduring and transitory forms of transparency and opacity there are areas for which a given regime sequence maximizes the share of substantive adoption and, in that sense, “outperforms” the other sequences. In the following sections, we detail the boundary conditions for which the different regime sequences are optimal, and address the question of whether all combinations of adoption and abandonment rates are equally relevant for the context of CSR. We then explore the mechanisms that drive the optimality of a given regime sequence.

### Boundary Conditions and Their Relevance

**Enduring transparency ( $T/T$ ).** Enduring transparency ( $T/T$ ) is the optimal regime sequence for the

majority of combinations of adoption and abandonment rates. A sufficient condition for enduring transparency to be optimal is that the adoption rate  $t_{NA-SA}$  is relatively high. Specifically, if the adoption rate  $t_{NA-SA}$  is larger than 0.52, enduring transparency maximizes the share of substantive adoption, independent of the abandonment rate  $t_{SA-NA}$ . This boundary condition is reflected by line  $A$  in Figure 3: For all parameter combinations to the right of line  $A$ , enduring transparency is optimal. The optimality of enduring transparency for a wide range of parameter combinations is consistent with the transparentists’ argument that organizations should seek to “walk the talk”—that is, to promote the substantive integration of CSR principles into organizational structures and processes by establishing strict transparency rules to monitor goal achievement (e.g., Behnam & MacLean, 2011).

To put the value of  $t_{NA-SA} = 0.52$  into perspective, however, recall that the combined (both ceremonial and substantive) adoption rate under opacity is only  $o_{NA-SA} + o_{NA-CA} = 0.1 + 0.2 = 0.3$ . Such high values for  $t_{NA-SA}$  imply that substantive adoption is easier under transparency than under opacity. This implicit assumption seems problematic given that under transparency, organizations cannot opt for the “easier” and less costly option of ceremonial adoption, as decoupling is not possible under transparency. Thus, while we report results for combinations where the substantive adoption rate is higher under transparency than even the combined adoption rate under opacity ( $t_{NA-SA} > o_{NA-SA} + o_{NA-CA}$ ), these combinations are of limited practical and theoretical relevance. Indeed, high rates of substantive adoption can be assumed to represent a rare exception in empirical reality due to managers’ hesitation to make significant investments in the implementation of CSR, given the inconsistent evidence regarding its impact on organizational performance (e.g., McWilliams & Siegel, 2000). In addition, due to significant implementation costs (Wickert et al., 2016), it is difficult for organizations to translate CSR policies into practice instantaneously. Instead, CSR adoption is an extended learning process that takes time (Zadek, 2004). For these reasons, rather than directly adopting a CSR practice substantively, organizations will often first implement it incompletely or ceremonially. Substantive adoption rates of  $t_{NA-SA}$  above a value of 0.5, implying that the majority of organizations immediately adopt the practice substantively, are thus rather unlikely.

For lower adoption rates (to the left of line  $A$  in Figure 3), enduring transparency is optimal as long

as the adoption rate is larger than  $t_{NA-SA} > 0.16$  (to the right of line *E*). This particularly applies to contexts where the abandonment rate is not excessively high relative to the adoption rate (i.e., below line *D*). This finding raises the question of whether it can be expected that the abandonment rate is higher under transparency than opacity ( $t_{SA-NA} > o_{SA-NA}$ ) or even higher than the combined (both ceremonial and substantive) abandonment rate under opacity ( $t_{SA-NA} > o_{SA-NA} + o_{SA-CA}$ ). Under a regime of opacity, organizations that prefer to abandon a once-adopted CSR practice but that also want to avoid associated risks to legitimacy can decouple and move from substantive to ceremonial adoption. Accordingly, abandonment should be easier under opacity than transparency, and, as a consequence, the abandonment rate under transparency should not exceed the combined abandonment rate under opacity. This condition is reflected by line *C* in Figure 3 ( $t_{SA-NA} = o_{NA-SA} + o_{NA-CA} = 0.1 + 0.2 = 0.3$ ), and abandonment rates above line *C* are of limited practical and theoretical relevance.

**Optimality of enduring opacity (O/O).** The regime sequence of enduring opacity (O/O) maximizes the share of substantive adoption if the adoption rate is relatively low (i.e., significantly lower than  $t_{NA-SA} < 0.4$ ) and the abandonment rate is relatively high ( $t_{SA-NA} > 0.3$ , above line *C* in Figure 3). The optimality of enduring opacity for this combination of parameter conditions corresponds with the contention that a lack of transparency may allow decision-makers to experiment with a novel practice that increases the likelihood that practices are implemented. In that sense, enduring opacity furthers substantive adoption (Bernstein, 2012). Experimentation suggests that organizations may not only adopt a CSR practice incompletely or ceremonially but may also easily abandon the practice later. Since there are low penalties for abandonment, the abandonment rate will be rather high. However, a relatively high abandonment rate under a regime of transparency ( $t_{SA-NA} > 0.3$ ) seems problematic if compared to the abandonment rate under a regime of opacity ( $o_{SA-NA} = 0.1$  and  $o_{SA-NA} + o_{NA-CA} = 0.1 + 0.2 = 0.3$ ), as it implies that abandoning a practice is easier under a regime of transparency than one of opacity. In the context of CSR, it is hard to imagine that an organization would be more likely to abandon substantive adoption under a regime of transparency than under a regime of opacity, since opacity facilitates ceremonial adoption and thus allows organizations to reap the benefits of being cost-efficient and legitimate at the same time (see Meyer & Rowan, 1977). Hence, most

conditions for which enduring opacity is optimal are of little theoretical or practical relevance.

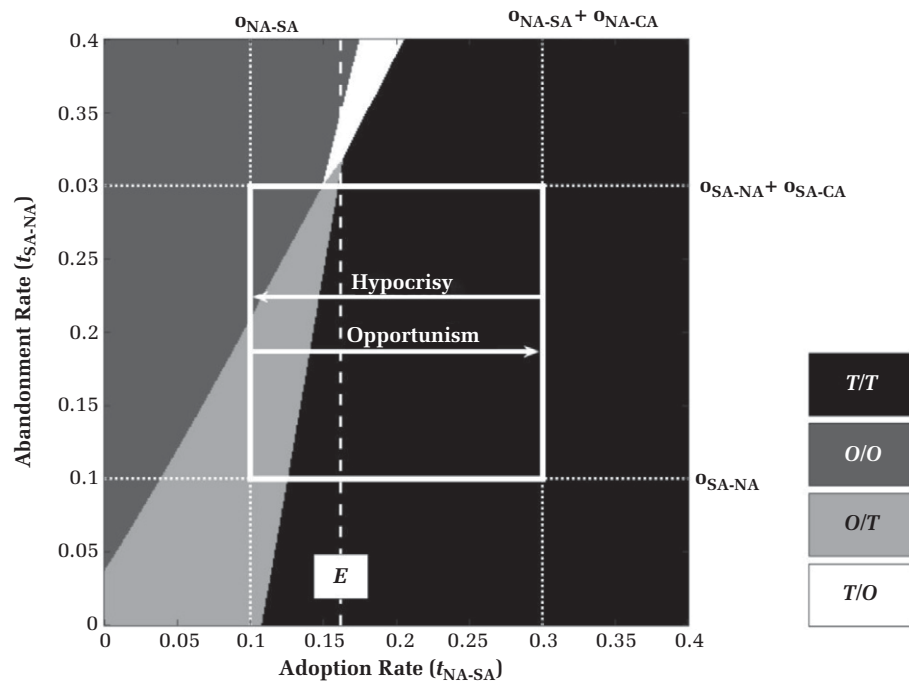
For lower abandonment rates (below line *C*), the abandonment rate must be still relatively high compared to the adoption rate (i.e., almost twice as high as the adoption rate; above line *D*). If organizations' own experience with the practice is negative, practice abandonment might outpace practice adoption and thus trigger practice decline (Gaba & Dokko, 2016; Younkin, 2016). Hence, even though enduring opacity can be optimal for certain combinations of adoption and abandonment rate, CSR can never fully institutionalize in situations in which the abandonment rate is higher than the adoption rate, and thus will fail to become a widely endorsed and taken-for-granted practice in a given domain.

**Optimality of transitory transparency (T/O).** A necessary condition for transitory transparency (T/O) to maximize the share of substantive adoption is a low-to-medium adoption rate ( $t_{NA-SA} < 0.5$ ) and a relatively high abandonment rate ( $t_{SA-NA} > 0.3$ ). Such parameter combinations are reflected in the white area above line *C* and to the left of line *D* in Figure 3. However, as elaborated above, such high abandonment rates, when compared to the abandonment rates under opacity, imply that abandonment becomes easier under transparency than under opacity. In general, it seems doubtful that the regime sequence of transitory transparency has much bearing in the context of CSR, given that industries typically start under a regime of opacity and only eventually face greater pressure for transparency (Berger-Walliser & Scott, 2018). Thus, while there are combinations for which transitory transparency is optimal, they are of little empirical and theoretical relevance.

**Optimality of transitory opacity (O/T).** Finally, a necessary condition for transitory opacity (O/T) to maximize the share of substantive adoption is that the adoption rate is low ( $t_{NA-SA} < 0.16$ , to the left of line *E* in Figure 3) and that the abandonment rate is low ( $t_{SA-NA} < 0.3$ , below line *C*) and is not more than two times higher than the adoption rate (below line *D*). As elaborated above, these conditions represent rather typical features of the CSR context: High adoption rates are unlikely, since CSR practices are at first implemented incompletely and their integration is only advanced gradually over time (Zadek, 2004). Simultaneously, CSR constitutes a morally charged practice that, once adopted, is difficult to abandon without public criticism and penalties to the adopter's legitimacy (Haack et al., 2012). Ceremonial adoption can thus operate coercively by pushing



**FIGURE 4**  
**Motivation Underlying Ceremonial Adoption (Coupling Rate  $t_{CA-SA}=0.5$ )**



organizations into moral or rhetorical “entrapment” (Haack & Schoeneborn, 2015; Risse, 2000), making it difficult for them to withdraw from substantive adoption.<sup>8</sup> We conclude that the conditions for which transitory opacity is optimal are of significant theoretical and practical relevance.

### Optimality as a Function of Adopter Motivation

Figure 3 demonstrates that if both the adoption and abandonment rates are low, even small variations in these rates can change which regime sequence is optimal. In order to refine our understanding of what variations in the combination of low adoption and abandonment rates imply, Figure 4 zooms into the lower-left corner of Figure 3, with the white box demarcating the parameter

combinations that can be considered as being particularly relevant for the context of CSR. Combinations outside the white box lack empirical and theoretical validity, while combinations within the white box are valid and thus merit analytical attention. The size of the box is derived from two logical considerations. First, the adoption (abandonment) rate under transparency does not exceed the combined adoption (abandonment) rate under opacity. In other words, given the additional option of ceremonial adoption, substantive adoption (abandonment) does not become easier under transparency compared to opacity. Thus, the upper bound for the adoption rate is given by:  $t_{NA-SA} \leq o_{NA-SA} + o_{NA-CA}$  (upper bound abandonment rate:  $t_{SA-NA} \leq o_{SA-NA} + o_{SA-CA}$ ). Second, if organizations adopt a practice substantively under opacity, they will do the same under a regime of transparency. This consideration reflects the notion of “true believers” introduced above (i.e., organizations that have confidence in the meaningfulness and value of CSR and therefore adopt CSR practices substantively, independently of the evaluation regime). Thus, the lower bound for the adoption rate is given by  $t_{NA-SA} \geq o_{NA-SA}$  (lower bound abandonment rate:  $t_{SA-NA} \geq o_{SA-NA}$ ).

<sup>8</sup> The difficulty of practice abandonment is illustrated by Apple’s attempt to withdraw from the Electronic Product Environmental Assessment Tool, a certification program that purchasers use to assess the environmental impact of electronic products. After massive public outrage, Apple swiftly reinstated its initial promise to maintain and closely follow the program’s requirements (Kohl, 2016).

Within the subset of valid combinations of adoption and abandonment rates (i.e., rates within the lower and upper bounds), we can logically derive important differences regarding the organizations' motivation to adopt a practice only ceremonially. Some organizations can be labeled as "hypocrites"; that is, they adopt the practice only when ceremonial adoption is possible (i.e., under a regime of opacity) and refrain from adopting it when ceremonial adoption is impossible (i.e., under a regime of transparency). Other organizations can be labeled as "opportunists"; that is, they adopt the practice only ceremonially (rather than substantively) when possible, but they adopt it substantively when ceremonial adoption is not feasible (i.e., in a regime of transparency). In other words, hypocritical ceremonial adopters may be neither willing nor able (because of resource constraints) to adopt a CSR practice substantively and will thus fall back on nonadoption under transparency. In contrast, opportunistic ceremonial adopters are not willing but are able to adopt a CSR practice substantively, and therefore they can be forced into substantive adoption under transparency. That is, they seek to reduce costs related to implementation if possible, but can mobilize the necessary resources when implementation is necessary (Durand et al., 2019).

We can elicit adopters' motivations underlying ceremonial adoption by comparing their adoption rates under opacity and under transparency. To illustrate this logic, consider a combination in which the adoption and abandonment rates under a regime of transparency match the corresponding values under an evaluation regime of opacity—that is,  $t_{NA-SA} = o_{NA-SA} = 0.1$  and  $t_{SA-NA} = o_{SA-NA} = 0.1$ . For such a combination, transitory opacity is optimal, despite the fact that all organizations that would adopt the practice ceremonially under a regime of opacity would refrain from substantive adoption under a regime of transparency. These ceremonial adopters can be said to act hypocritically rather than opportunistically. Compare this situation to a combination of  $t_{NA-SA} = o_{NA-SA} + o_{NA-CA} = 0.3$  and  $t_{SA-NA} = o_{SA-NA} = 0.1$ : For such a combination of adoption and abandonment rates enduring transparency is optimal, since organizations that would adopt a CSR practice ceremonially under opacity would adopt it substantively under transparency. These organizations, in turn, can be said to act opportunistically rather than hypocritically. In conceptual terms, an organization's motivation (i.e., opportunism versus hypocrisy) drives the ceremonial adoption of a CSR practice under opacity and that, in turn, determines which evaluation regime sequence maximizes the share of substantive adoption in a context of low adoption and

abandonment rates. If the probability of opportunistic behavior (or the share of opportunistic organizations) exceeds a particular threshold (reflected by line *E* in Figure 4), enduring transparency is the optimal evaluation regime. Only if this probability (or share) is lower than the threshold (i.e., most organizations are hypocrites rather than opportunists) can the regime sequences of enduring or transitory opacity be optimal.

### Process Dynamics and Mechanisms

In a next step, we identify the mechanisms and dynamics that drive the optimality of the different regime sequences. The identification of mechanisms, understood as theoretical explanations of why focal phenomena or effects occur (e.g., Davis & Marquis, 2005), is essential for improving scholarly understanding of the interplay between social evaluation and practice adoption. As elaborated above, enduring (*O/O*) or transitory transparency (*T/O*) is optimal if the primary motivation of ceremonial adopters is hypocrisy (i.e.,  $t_{NA-SA}$  is close to  $o_{NA-SA}$ ), whereas enduring transparency (*T/T*) is optimal if the primary motivation is opportunism (i.e.,  $t_{NA-SA}$  is close to  $o_{NA-SA} + o_{NA-CA}$ ).

Under an evaluation regime of opacity, opportunists seize the chance to adopt the practice only ceremonially rather than substantively, while under transparency they adopt the practice substantively. Hypocrites, in contrast, refrain from substantive adoption under transparency and only adopt a practice ceremonially under opacity. Hence, if opportunism is the primary motivation behind ceremonial adoption, the share of substantive adoption can be maximized by a regime of enduring transparency, since transparency eliminates the opportunity of ceremonial adoption. In that case, opacity allows firms that would otherwise have adopted the practice substantively to decouple—and thus substantive adoption decreases.

If hypocrisy is the primary motivation, a different dynamic emerges. Specifically, under an evaluation regime of transparency, hypocrites adopt a practice neither substantively nor ceremonially and thus remain in a state of nonadoption. As a result, for a context where hypocrisy is the prevailing adoption motivation, there will be very few substantive adopters under enduring transparency. However, if opacity is only transitory, and at least some of the hypocritical ceremonial adopters are subject to coupling processes once the evaluation regime becomes transparent, these firms will eventually turn into substantive adopters, increasing the overall number of substantive adoptions. In other words, as long as

the coupling rate is greater than zero, transitory opacity may maximize substantive adoption if firms adopt a practice ceremonially for hypocritical reasons. It can thus be beneficial if organizations that would otherwise be nonadopters (e.g., if transparency demands are too high) are lured into adopting a practice ceremonially in a first step. This “bait” is particularly strong when the rate of ceremonial adoption ( $O_{NA-CA}$ ) is high under opacity. In a second step, once the evaluation regime “switches” from opacity to transparency, some of these ceremonial adopters develop into substantive adopters. This bait-and-switch mechanism explains why ceremonial adoption, especially when motivated by hypocrisy and in a context where the coupling rate is greater than zero, can be an important stepping stone toward the institutionalization of CSR.

These results clarify that the coupling rate  $t_{CA-SA}$  has an amplifying effect on the optimality of transitory opacity but is not the primary driver behind this optimality. Only if organizations are “pulled” from nonadoption into ceremonial adoption under a regime of opacity can transitory opacity result in higher levels of substantive adoption than enduring transparency.

### ROBUSTNESS ANALYSES

As mentioned above, we examined the robustness of our findings for different switching points, gradual regime changes, and the absence of “true believers.” We also explored model dynamics for scenarios in which ceremonial adoption is possible both under a regime of transparency and under a regime of opacity. These analyses (available upon request) demonstrate that the key findings remain essentially unaffected. Additionally, we tested the robustness of our core results in a variety of alternative model formulations and parameter choices. First, we examined how social influence may affect the share of substantive adopters for the different regime sequences ( $T/T$ ,  $O/O$ ,  $T/O$ , and  $O/T$ ). While organizations have some agency and leeway in their adoption decisions, and may differ in their adoption motivations, they are also embedded in a social context where the behavior of competitors and other field actors has some bearing on adoption decisions. Modeling social influence acknowledges that industries and markets are social structures in which organizations observe each other and use signals from other organizations to guide their choices and actions (Kennedy, 2008). As noted

previously, under conditions of opacity organizations face difficulties in observing whether, and how substantively, other organizations adopt certain CSR practices (implying that individual organizations are less affected by what their competitors do). Conversely, under conditions of transparency, interorganizational dynamics may have greater bearing on an organization’s decision to adopt a given CSR practice. Our analysis demonstrates that social influence expands the range of parameter combinations for which transitory opacity is optimal (see Appendix A). Second, we reran our analysis by generating both transparency and opacity matrices randomly (i.e., we do not make any particular assumptions about the underlying transition probabilities). The only assumption we make is that ceremonial adoption is less likely under a regime of transparency than under one of opacity. Our analysis, based on one million pairs of random matrices for opacity and transparency, suggests that the general pattern of findings is robust to relaxing a vast majority of model assumptions (see Appendix B).

### DISCUSSION

This paper reconciles, in two main ways, the opposing viewpoints of transparentists and opacitists on how to advance the substantive adoption and institutionalization of CSR. First, we resolve the tension by adopting a dynamic perspective that grasps both opacity and transparency not only as enduring but also as transitory phenomena. We theorize that changes in the evaluation regime may occur, either exogenously due to regulatory measures or endogenously because substantive adopters enforce transparency to avoid being misclassified as ceremonial adopters and thereby to safeguard their legitimacy. We demonstrate that such regime switches and the resulting transitory regime sequences can be conducive to the substantive adoption of CSR. Second, we identify the boundary conditions under which enduring and transitory forms of transparency and opacity maximize the share of substantive CSR adoption. We demonstrate that the optimality of a regime sequence is determined by the relationship between adoption and abandonment rates within and across transparency and opacity regimes. Overall, our paper makes first steps in developing a systematic treatment of the interplay between social evaluation and practice adoption. In so doing, it opens up a novel and potentially important research area.

## Implications for Research on CSR

A hallmark of the CSR literature has been the “transparency imperative” (Ringel, 2019)—that is, a widely endorsed and taken-for-granted assumption that the observability of organizational actions is beneficial for substantive adoption (Christensen & Cheney, 2015; Gold & Heikkurinen, 2018). Transparentists have posited that, in the wake of public scrutiny and requests for accountability, decoupling is not a viable option for adopters of CSR practices and that, therefore, ceremonial adopters are inevitably pushed toward substantive adoption. It follows that the best way to institutionalize CSR is through promoting transparency, tightening requirements, and, where necessary, disciplining ceremonial adopters.

However, while intuitively appealing, this logic ignores that the very characteristics of CSR can undermine the effectiveness of transparency. When implementation costs are high and immediate substantive adoption of a CSR practice is unlikely (i.e., low adoption rate) and adopters run the risk of having limited chances to quit a once-established practice at a later point in time (i.e., low abandonment rate), a regime of transparency can significantly limit the number of organizations that engage with the practice in the first place, thus reducing the overall impact of CSR.

For combinations of rather low substantive adoption and abandonment rates (i.e., conditions that are highly relevant for the CSR context), our analyses reveal another, potentially more effective, pathway toward the institutionalization of CSR: transitory opacity (i.e., a phase of initial opacity succeeded by a phase of transparency). Our analyses show that transitory opacity may outperform both enduring opacity and enduring transparency, depending on the motivation underlying ceremonial adoption. More specifically, if ceremonial adoption is primarily driven by an opportunistic motivation (i.e., an incentive to reap the benefits of CSR adoption while minimizing its costs), then enduring transparency may be effective in leading to widespread substantive adoption, as it shuts down the possibility of adopting a practice ceremonially. In contrast, if ceremonial adoption is primarily driven by a hypocritical motivation (i.e., an incentive to reap the benefits of CSR adoption without incurring any of its costs), then transitory opacity can be effective in leading to widespread substantive adoption. The optimality of transitory opacity is driven by the fact that some of the organizations which adopt the practice ceremonially when

possible (but refrain from adoption when impossible under a regime of transparency) will be forced into substantive adoption once the regime switches to transparency. It is therefore important to understand how organizations respond if their preferred option of ceremonial adoption is not viable, and to theorize whether they commit to substantive adoption (“opportunists”) or refrain from substantive adoption (“hypocrites”). As such, transitory opacity constitutes an important but hitherto largely overlooked path for the institutionalization of CSR.

These results shed new light on an important conversation in the field of CSR (see Voegtlin & Pless, 2014); namely, whether the lack of implementation of CSR indicates a need for stricter sanctions or whether decoupling should be tolerated and organizations provided time and leeway to integrate CSR activities. For good reasons, scholars have questioned the merit of low entry barriers and weak monitoring as means of achieving self-regulation in various industries (King & Lenox, 2000), given that the “lowest common denominator” (Sethi, 2002: 25) tends to be conducive to opportunism and adverse selection. However, our model demonstrates that the hypocritical adoption of CSR practices can have positive consequences for their institutionalization. This is the case not only because decoupling in a single organization can prove unstable (Penttilä, 2020; Tilcsik, 2010) but also because of the effects that a change in the prevalent evaluation regime can have at the industry or institutional field level.

The bait-and-switch mechanism identified in our paper complements existing opacitist perspectives, which highlighted that transparency may be detrimental to experimentation and organizational learning (March, 1995; Weick, 1995), and may crowd out trust and intrinsic motivation (Frey et al., 2013). Assumptions related to experimentation, learning, and motivation, as well as to organizational-level dynamics of aspirational talk, goal displacement, and identity change (e.g., Christensen et al., 2013), are reflected in our model in the coupling rate—that is, the probability that an organization moves from ceremonial to substantive adoption. While previous works from an opacitist view have examined coupling dynamics (Christensen et al., 2013; Haack et al., 2012), the analysis of the dynamic process comprising an exogenous or endogenous switch toward a regime of transparency has been largely neglected, thus far. Our model offers a crucial extension of extant opacitist works by pointing out that achieving a



large number and “critical mass” of ceremonial adoptions is a critical prerequisite to institutionalizing CSR across different domains and industries. Conversely, when enforcing transparency too early, only a few organizations will be pulled from ceremonial into substantive adoption. Coupling dynamics will thus be limited to a small set of organizations and CSR will fail to gain prominence and exert enduring influence at a larger scale.

Our proposed bait-and-switch model of CSR adoption also has significant practical implications for NGOs and civil society activists. Specifically, given that initial opacity and nonpenalized decoupling can be a viable way to institutionalize CSR, NGOs and civil society activists should not categorically criticize or punish organizations for ceremonial adoption. Instead, they should allow for a stage of transformation during which ceremonial adoption can spread, marked by a (exogenous or endogenous) switching point that leads to a regime change and puts an end to widespread ceremonial adoption and decoupling. At the same time, given that transitory opacity is only optimal for circumstances in which the probability of practice abandonment is low, practitioners and activists should criticize substantive adopters who diminish or slow down their implementation efforts. Through such social disapproval, NGOs and civil society activists can send a strong signal that falling back on ceremonial adoption or even nonadoption is unacceptable. In addition, since the type of adopter motivation (hypocrisy vs. opportunism) reveals which regime sequence is optimal, NGOs and activists should try to gauge the share of hypocrites and opportunists in a given domain or industry—for instance, through continuous dialogue and exchange with relevant actors (Palazzo & Scherer, 2006).

### Implications for Institutional Theory

This paper offers important insights to institutional theory. Specifically, it contributes to a better understanding of the relationship between decoupling (i.e., ceremonial adoption), diffusion, and institutionalization, thereby complementing works that have integrated the topic of practice diffusion with aspects of adaptation and variation in practice implementation (Ansari et al., 2010; Lounsbury, 2001). Although decoupling, diffusion, and institutionalization constitute foundational concepts in institutional theory (Greenwood, Oliver, Lawrence, & Meyer, 2017), their precise relationship and the character of their interdependence has not been

discussed in much detail. Extant research has tended to equate the diffusion of a practice with its institutionalization, or to treat diffusion as a result of successful institutionalization (Schneiberg & Clemens, 2006; Zeitz et al., 1999). Colyvas and Jonsson (2011), however, proposed disentangling diffusion from institutionalization and argued that diffusion can function as an antecedent of institutionalization. This view is consistent with our model, which indicates that practice diffusion, even if ceremonial in character, can facilitate the institutionalization (i.e., widespread substantive adoption) of CSR practices due to an exogenous or endogenous switch in evaluation regimes. Given that, under an evaluation regime of opacity, decoupling can be beneficial to the diffusion of instances of ceremonial adoption, which then trigger a switch from opacity to transparency that enforces substantive adoption, decoupling can be said to be conducive to institutionalization. In this view, decoupling has important institutional consequences and can be conceptualized as an endogenous source of institutional change (Boxenbaum & Jonsson, 2017).

Another important implication of our paper is that institutional scholars need to theorize and systematically study the evaluation–decoupling nexus. Previous works on decoupling followed the arguments of Meyer and Rowan (1977) and assumed that external observers do not monitor organizational activities. In that view, ceremonial behavior is not criticized or condemned but is actually desired and, thus, can be said to be equivalent to institutionalized behavior (Zajac & Westphal, 2004). This assumption, however, is at odds with a phenomenological understanding of institutions as tightly coupled systems that are consolidated through continuous social interaction (Berger & Luckmann, 1967). Indeed, the assumption that “myth and ceremony” are equivalent to institutionalized behavior has ignored the growing trend toward an “audit society” (Power, 2007), which reveals that external observers lack “confidence and good faith” in the symbolic actions of organizations. External observers instead seek to inspect the type of practice adoption and enforce transparency and social control, meaning that decoupling poses a significant reputational risk for organizations (Crilly et al., 2012; Marquis & Qian, 2014). It follows that ceremonial behavior cannot be equated with institutionalized behavior. This proposition seems to particularly apply to the context of CSR, where employees search for purpose and meaning through their work and are not willing to tolerate moral inconsistencies (Tolbert & Zucker, 1996). Moreover,

our analyses reveal that ceremonial behavior can be based on hypocritical and opportunist motives, a distinction that accounts for profound differences in institutional effects (i.e., with respect to maximizing the share of substantive adoption). Therefore, in order to better understand institutional outcomes, institutional theorists need to conceptualize the microlevel diversity in motivations that is often ignored in view of the pervasive homogeneity of behavior at more macro levels (Tolbert & Darabi, 2020).

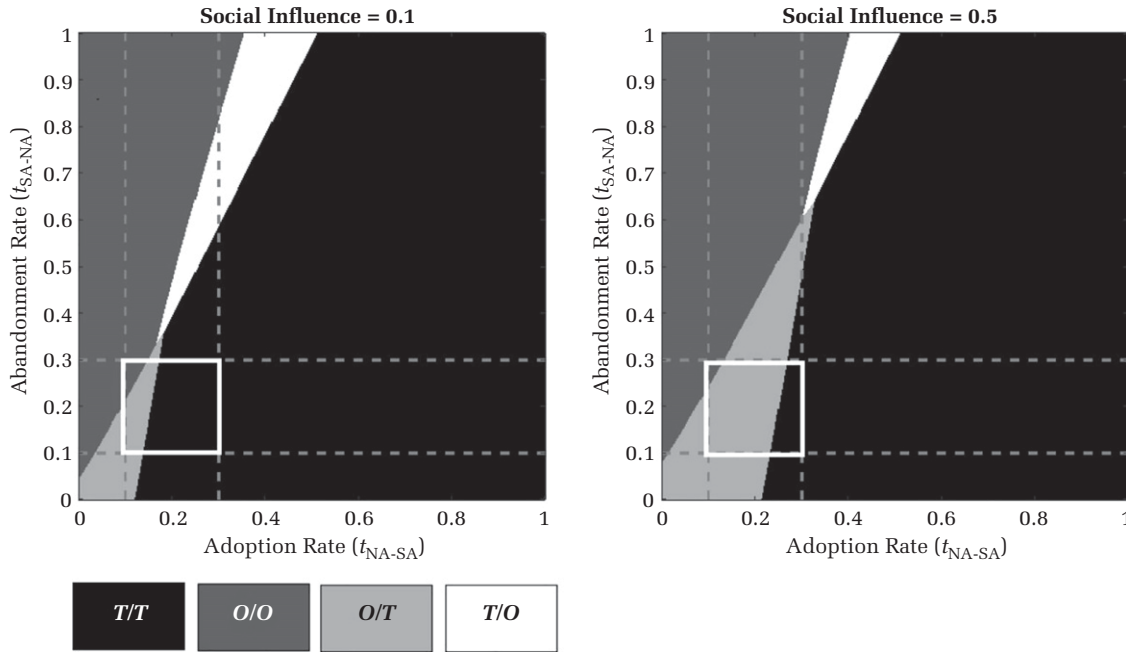
### Implications for Methodology

Crane, Henriques, and Husted (2018) identified considerable methodological challenges in the CSR literature that hamper its development. They also expounded the problems of a significant bias toward a relatively small number of methods of data collection and analysis. Morsing and Spence (2019), in turn, demanded greater sophistication in the analysis of links between theoretical and practice-based aspects of CSR research. In reviewing criticisms of the CSR research, Wang, Gibson, and Zander (2020) discussed the frequent perception that it suffers from weak theoretical foundations and lack of theory development, rarely paying attention to underlying mechanisms and boundary conditions, and consequently fails to inform practice adequately. Embracing methodological pluralism and method triangulation can speak to these challenges. While formal modeling and simulation approaches have gained currency in institutional theory (e.g., Colyvas & Maroulis, 2015) and CSR research (e.g., Kaul & Luo, 2018), to our knowledge they have not been employed in the more specific context of CSR practice adoption. This underutilization is unfortunate, since formal modeling and simulation approaches allow researchers to gain a thorough understanding of the role of social evaluation in decoupling and practice adoption. The quality of practice implementation at the industry level and the evolution of practice adoption over time are naturally difficult to examine empirically by means of qualitative research, which tends to be more suitable for in-depth study of adoption types and degrees of practice implementation in a single firm. In that regard, our model allows for transcending paradigmatic boundaries by showing that some of the considerations of interpretivist and qualitative research can be translated into formalized language, thereby sharpening the conceptual clarity and specificity of extant CSR research.

## APPENDIX A SOCIAL INFLUENCE

Under an evaluation regime of opacity, organizations face difficulties in observing whether, and how substantively, other organizations adopt certain CSR practices, implying that individual organizations are less affected by what their competitors do. Conversely, under a regime of transparency, interorganizational dynamics may have greater bearing on an organization's decision to adopt certain CSR practices. We therefore examined how social influence may affect the share of substantive adopters for the four different regime sequences (*T/T*, *O/O*, *T/O*, and *O/T*). Arguably, actors can be influenced by other actors in a myriad of ways. For illustrative purposes, we report the outcomes for one particular form of social influence: the adoption rate ( $t_{NA-SA}$ ), abandonment rate ( $t_{SA-NA}$ ), and coupling rate ( $t_{CA-SA}$ ) are modeled as depending on the share of organizations that are adopters (i.e.,  $x(3)$ ) or nonadopters (i.e.,  $x(1)$ ) operating in the same domain or industry. Specifically, we assume that, in each period, the transition probabilities for transparency  $T$  are adjusted, with  $t_{NA-SA} = social * x(3) + (1 - social) * t_{NA-SA}$ , with *social* as a weighting factor for the social influence (here defined as the share of organizations that have already adopted the practice substantively). If, for example, the social influence is 0.0, then the share of existing adopters does not affect the adoption rate. If the social influence is 0.5, the share adjusted adoption rate is  $t_{NA-SA} = 0.5 * x(3) + 0.5 * t_{NA-SA}$ . Thus, if the share of substantive adopters  $x(3)$  is lower than the adoption rate ( $t_{NA-SA}$ ), the adjusted rate of adoption ( $t_{NA-SA}$ ) is lower than the actual rate ( $t_{NA-SA}$ ). In contrast, if the share of substantive adopters is larger, then so is the adjusted rate. Social influence may thus decrease or increase the adoption rate, depending on the share of substantive adopters (relative to the unadjusted adoption rate). A similar logic applies to the abandonment rate, which is given by  $t_{SA-NA} = social * x(1) + (1 - social) * t_{SA-NA}$ , and the coupling rate, which is given by  $t_{CA-SA} = social * \frac{x(3)}{x(1) + x(3)} + (1 - social) * t_{CA-NA}$ . In Figure A1, we report the results for *social* = 0.1 (left panel) and *social* = 0.5 (right panel). Overall, the general pattern of results remains largely unaffected; however, within the subset of valid parameter combinations, the prominence of transitory opacity (*O/T*) increases.

**FIGURE A1**  
**The Role of Social Influence**



## APPENDIX B

### RELAXING ASSUMPTIONS UNDERLYING THE OPACITY MATRIX

Our main analyses draw on a particular transition matrix for opacity (see above for our elaboration in the section “Model Specification”). In this analysis, we relax the assumptions that informed these parameters and generate, in a first step, a random transition matrix for the regime of opacity. Such a random matrix may look as follows:

$$O = \begin{pmatrix} 0.07 & 0.24 & 0.69 \\ 0.62 & 0.08 & 0.30 \\ 0.12 & 0.29 & 0.59 \end{pmatrix}$$

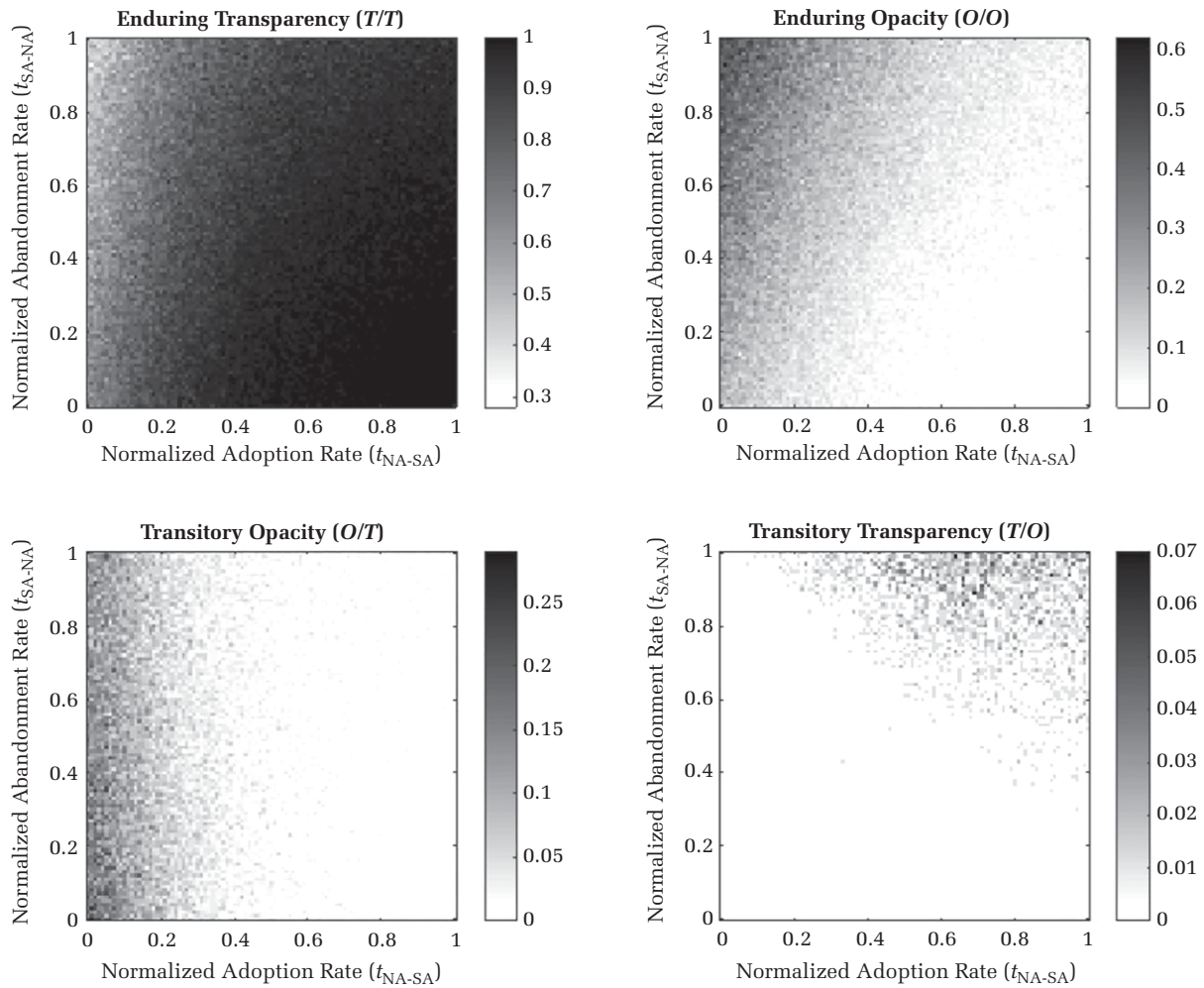
In a next step, we generate a random transition matrix for the regime of transparency. In so doing, we ensure that the transition matrix is valid by assuming  $o_{NA-SA} \leq t_{NA-SA} \leq o_{NA-SA} + o_{NA-CA}$ ; that is, the (substantive) adoption rate under transparency is located in a range between the substantive adoption rate under opacity and the combined (both substantive and ceremonial) adoption rate under opacity. Thus, for the random transition matrix of opacity described above, the adoption rate under transparency can be  $0.69 \leq t_{NA-SA} \leq 0.69 + 0.24 = 0.93$ . We then randomly pick one value in this range (e.g., 0.77). For the abandonment

rate, we follow the same procedure and pick a random value (e.g., 0.34) from  $o_{SA-NA} \leq t_{SA-NA} \leq o_{SA-NA} + o_{SA-CA}$ , or  $0.12 \leq t_{SA-NA} \leq 0.12 + 0.29 = 0.41$ . Finally, we pick a random coupling rate  $t_{CA-SA}$  within the range of 0 to 1 (e.g., 0.19). The resulting transition matrix for transparency looks like this:

$$T = \begin{pmatrix} 0.23 & 0.00 & 0.77 \\ 0.81 & 0.00 & 0.19 \\ 0.34 & 0.00 & 0.66 \end{pmatrix}$$

We make only one assumption in our analysis—namely, that ceremonial adoption is less likely under a regime of transparency than under one of opacity. We then calculate the optimal regime sequence—that is, the sequence that maximizes the share of substantive adopters averaged over  $t = 1$  to 25. We repeat the process of (a) generating random matrices  $O$  and  $T$  and (b) determining the optimal regime sequence one million times. To make results comparable, we normalize the adoption and abandonment rates under transparency to a range between 0 and 1. In our example above, a value of  $t_{NA-SA} = 0.77$  is at the lower end of the range of  $[0.69, 0.93]$  and translates to a normalized value of  $\frac{0.77 - 0.69}{0.24} = 0.33$ . We normalize the abandonment rate in the same way:  $\frac{0.34 - 0.12}{0.29} = 0.76$ . In Figure A2, we report the probability that any of the four

**FIGURE A2**  
**Optimality for Normalized Rates**



evaluation regime sequences is optimal for different normalized rates of adoption (x-axis) and abandonment (y-axis). These normalized rates equal the set of valid combinations, highlighted through a white box in Figure 4 of the manuscript. The color of each point in these panels reflects the probability that the corresponding evaluation regime is optimal, with lighter colors indicating lower probabilities and darker colors indicating higher probabilities.

Consistent with our manuscript's findings, enduring transparency ( $T/T$ , top left panel in Figure A2) is the optimal regime for many combinations of adoption and abandonment rates. However, if the normalized adoption rate is rather low

(i.e., the primary motivation for ceremonial adoption is hypocrisy rather than opportunism), then transitory opacity ( $O/T$ ) or enduring opacity ( $O/O$ ) are more likely to be the optimal regime sequence (a finding that is also consistent with the manuscript's findings). Also consistent with our arguments, transitory opacity ( $T/O$ ) is very unlikely to be optimal (within the subset of valid combinations of adoption and abandonment rates). In sum, given the complete randomness of both transition matrices, the results are obviously less clear-cut than those of the manuscript's analyses. Nonetheless, even if we relax most of the assumptions about both transition matrices, our key findings still hold.



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**Patrick Haack** (patrick.haack@unil.ch) is professor of strategy and responsible management at HEC Lausanne, University of Lausanne. His research focuses on social evaluations, practice adoption, and the application of experiments to the study of institutionalization and



legitimation. He is an associate editor at the *Academy of Management Review* and served on the editorial boards of the *Academy of Management Review*, *Business & Society*, *Journal of Management Studies*, and *Organization Studies*.

**Dirk Martignoni** (dirk.martignoni@usi.ch) is an associate professor of strategy at Università della Svizzera italiana, Lugano. He received his PhD from the University of St. Gallen, Switzerland. His research focuses on organizational learning and adaptation.

**Dennis Schoeneborn** is professor of organization, communication, and CSR at Copenhagen Business School as well as visiting professor of organization studies at Leuphana University of Lüneburg. In his current research, he focuses on the constitutive role of communication for phenomena of organization, organizing, and organizationality. He is an associate editor at *Business & Society* and serves as editorial board member of *Management Communication Quarterly* and *Organization Studies*.

