"Institutional Theory of Green Marketing Strategies in A Workplace Environment "

Jamie Pleasant, Ph. D.

Associate Professor

Clark-Atlanta University

Kimberly Pleasant, Ph. D. Candidate

Georgia State University

Lori Boyer, Ph. D.

Assistant Professor

Clark Atlanta University

School Of Business Administration

223 James P. Brawley Drive, SW

Atlanta, Georgia 30314

Tel: 770.616.6466

jpleasant@cau.edu

Jamiekim1@bellsouth.net

The Journal of Business and Economic Issues

Institutional Theory of Green Marketing Strategies in A Workplace Environment

Introduction

This paper offers a strategic look at the importance of institutional theory and its impact in the timing, marketing, acceptance and implementation of "green strategies" in an office environment. There are various environmental factors that must be examined and managed in the entire change process of an organization in order that long-term sustainable competitive advantages are experienced within and external of a firm and its adopted paradigm. Additionally, various types of isomorphism is also presented as effective practices for an organization to implement in order to achieve homogeneity during the change process in its attempt to market and create a green work environment.

Institutional Theory

Institutional theory offers insight for further understanding the relationship between timing of greening strategies and firm performance. Institutional theory studies the process by which activities or items become institutionalized or embedded in institutions as norms and accepted practice and the role of institutions in society (Scott, 2003). Institutional theory centers around the impact of environmental pressures that the organization encounters and that subsequently influence the organization's policies, procedures as well as structure until the firms within an organizational field appear to become very similar without necessarily becoming more efficient. Organizations succumb to these environmental forces and pressures in order to gain resources from the environment that can include financial resources as well as customers, political power and institutional legitimacy. DiMaggio and Powell (1983) sought to explain the homogeneity of firms in their organizational practices and structure through three institutional mechanisms – coercive isomorphism; mimetic isomorphism and normative isomorphism.

Isomorphism

Isomorphism is described as the process by which the organizations reach a state of homogeneity and is defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (Hawley, 1968 as stated in DiMaggio and Powell,1983). "These institutional mechanisms develop and disseminate a common set of rules and institutional pressures across organizations that result in all organizations within the same organizational field, adopting the same structure and processes" (DiMaggio and Powell,1983). One underlying assumption of institutional theory is that isomorphism leads to legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell,1983). Coercive isomorphism is described by DiMaggio and Powell (1983) as stemming from political influence and the problem of legitimacy. Mimetic isomorphism, on the other hand results from the organization responding to uncertainty, while normative isomorphism is associated with professionalization. Notably, DiMaggio and Powell (1983) as well as others have confirmed that while the three types tend to overlap in empirical studies, their conceptual antecedents and outcomes are very distinct. I will examine each of these institutional mechanisms and apply them to the argument of this paper.

Coercive Isomorphism

Coercive isomorphism is the most common type of isomorphism that is discussed in literature related to the environmental investment. While this type of mechanism can be displayed through formal or informal pressure from other organizations or through cultural and societal expectations, in environmental literature this mechanism has historically been exhibited in the form of regulation and regulatory compliance in regards to pollution controls and regulatory mandates by the state that are focused on cleaning "dirty" industries . Historically, these "dirty" industries have included pulp and paper, chemicals, automobile, and energy (Gilley, Worrell, Davidson and Jelly, 2000; Prakash and Kollman, 2004). The enforcement of compliance to the coercion can take several forms including consensual or consultative as well as sanction oriented (Jennings and Zandbergen, 1995). In the past, scholars have argued the merits of sanctions in terms of garnering better compliance on the part of the organization. However, they have found that forced compliance through sanctions often leads to quick compliance at the minimal level and reduces the opportunity from organizational learning that typically results in firm innovation (Jennings and Zandbergen 1995). Notably, past research has linked this type of framework to the lack of innovation (Porter and Van der Linde,1995).

Coercive environmental legislation might require expensive investment in technology. Oftentimes investments early in the life cycle of the technology and processes may cost more and be of lower quality than they will be when they become more widely used and tested. Typically, it is well accepted that pollution-reducing investments and other traditionally coercive induced environmental investments would have a negative impact on firm performance. Nehrt (1996) argues that this relationship does not hold up in the case where the coercive induced environmental investment results in innovation that is cost reducing or sales enhancing as is the case in his study of 50 producers of paper pulp. However, Nehrt's (1996) scenario represents a boundary condition of which the normal negative impact on firm performance does not hold. In the context of the timing of adoption of greening strategies on firm performance, this paper proposes that coercive institutional pressures strongly and negatively moderate the relationship between early adoption of greening strategies and firm performance. Accordingly, late movers will benefit more by allowing the newly introduced technology and processes to disseminate and undergo fine tuning which typically results in cost declines under conditions of coercive institutional pressures. Thus, coercive institutional pressures positively moderate the relationship between late adoption of greening strategies and firm performance and lead to the following:

Mimetic Isomorphism

Mimetic isomorphism is based on the contention that uncertainty is also a powerful force that drives firms to imitate other firms in order to gain legitimacy (DiMaggio and Powell, 1983). Interest regarding the prevalence of inter-organizational imitation has led to substantial research on mimetic behavior with regard to numerous and diverse issues (Dacin et al., 2002; Barreto and Baden-Fuller , 2006). Barreto and Baden-Fuller (2006) note that recent studies have examined mimetic behavior on issues that include corporate acquisition choices, entry in new markets, adoption of college curriculum changes, adoption of new organizational form as well as TMT members hiring. Thus, mimetic isomorphism has produced an important stream of extant literature and can provide insight regarding the topic of this paper - the timing of going green and firm performance. The organization's approach to selecting the firm to imitate can be based on varying factors and methods such as target firm size, modeling against peers, as well as imitating "best practices" firms. DiMaggio and Powell (1983), building upon Alchian's (1950) observation, refer to organizational modeling or imitating other firms as an unexpected source of unintentional innovation that can be derived through employee transfer or turnover as well as consulting firms or industry trade associations. Further, DiMaggio and Powell (1983) contend that organizations tend to model themselves after the firms within their field that they perceive as more legitimate or successful than themselves. Based upon Hambrick and Mason's (1984) contention that one should look to cognitive processes to model managerial decisions, Barretto and Baden-Fuller (2006) posit that complexity and dynamism of the environment requires decision makers to attempt to disseminate large amounts of information and ambiguity. To facilitate this process the managers develop cognitive categorizations of firms with relevant similarities and match their actions with the actions of the group. Building on the cognitive processes argument, Barreto and Baden-Fuller (2006) contend that "legitimacy-based groups" are not selected based on the preferences of the firm but instead are selected based on what outside legitimacy providers in positions of authority determine is the best for the firm to imitate. These outside legitimacy providers typically include the media and regulators.

Specifically, Barretto and Baden-Fuller (2006), argue that when mimetic behavioral pressures are strong as in the banking industry, firms will follow the actions of the legitimacy providers or bank regulators. Further, they contend that this can lead to a potential trade-off between legitimacy and performance such as inappropriate resource decisions driven by the fact that legitimacy increases chances of survival and the chances of a bail-out in the event of failure, as we have recently seen in the banking industry as well as other industries. Notably, mimetic behavioral research differs from the herd behavior literature found in economics research, in that the catalyst for herding is economic rationality while the catalyst for mimetic behavior is legitimacy. Barretto and Baden-Fuller (2006), surmise that there are a few studies that suggests that adoption of mimetic isomorphism may lead to negative performance consequences (Westphal , Gulati and Shortell, 1997) and that the firm may adopt mimetic behavior even when they have information that does not support mimicry as the right choice.

A key factor that is missing in this analysis is the role of timing. In the context of the timing of going green and the impact on firm performance, this paper proposes that mimetic institutional pressures strengthen the relationship between early adoption of greening strategies and firm performance. When faced with mimetic pressures in going green the firms that undertake these strategies early will appropriate the rents and have stronger performance than firms that follow later. Conversely, firms that adopt green strategies as late movers in the presence of mimetic institutional pressures will negatively impact firm performance. As discussed earlier, legitimacy-driven pressures can lead firms to inappropriate resource decisions that are geared towards survival or support in the event of failure but are not necessarily focused on improved performance or profit maximization.

Normative Isomorphism

DiMaggio and Powell (1983), define normative isomorphism pressure as professionalization. The normative isomorphism pressures are brought about by professions. DiMaggio and Powell (1983) describe professionalization as the collective struggle of members of an occupation to define the conditions and methods of their work to control the production of producers and to establish a cognitive base and legitimacy for their occupational autonomy. They state that universities and professional training institutions are important centers for the development of organizational norms among professional managers and their staff. Further, DiMaggio and Powell (1983) posit that norms that individuals develop throughout their education are entered into the organization and result in inter-organizational networks that cross the boundaries of the organization. The higher the education levels and the greater the involvement in professional and trade associations, the more likely are the individuals to approach problems in the same way across organizations. These conformities will be reinforced through organizational socialization and will increase normative isomorphism.

Professional and trade associations are another vehicle for the definition and promulgation of normative rules about organizational and professional behavior. DiMaggio and Powell (1983) contend that one important mechanism for encouraging normative isomorphism is the filtering of personnel. This filtering occurs through hiring of individuals from firms within the same industry and through the recruitment of the same type of managers that are filtered on a common set of attributes. Thus, these managers adopt the same perspective in analyzing problems and solutions as well as threats and opportunities. They adopt and view the same heuristics, policies, processes and procedures and organizational structures as normatively sanctioned and legitimated and tend to approach decisions in the same way. Campbell (2007 p.958), asserts that managers seek to act in ways that are deemed appropriate by other managers and significant actors in their environment and it is argued that these normative isomorphic pressures may affect the extent to which firms operate in socially responsible ways. Campbell (2007), discusses normative pressures in examining the culture of organization commitment to employees in Japan compared to the U.S. and find that Japanese firms are less likely to engage in policies of mass lay-offs due to normative pressures that differ from those facing U.S. firms.

Unlike the other isomorphic conditions, normative conditions foster an exchange and a reciprocal relationship between the professionals and the organization that simultaneously serve the role of contributing to the creation of the organizational norms and the professionals being socialized into the organization. Notably, the exchange of information across professionals leads to a recognized hierarchy across firms and the emergence of center organizations that afford its managers with recognition as well. DiMaggio and Powell (1983) surmise that organizational fields that reflect a large professionally trained workforce will be driven by status competition as prestige and resources will attract and retain professionals. In the context of greening strategies, these central organizations will undertake such strategies due to the pressures to further enhance and retain the status and prestige that it represents. Since “going green” is a very “hot” and “sexy” topic particularly in the clean industries that are not forced by regulatory compliance to adopt greening strategies, prestigious firms will adopt early or become the innovators thereby reinforcing their status and prestige. An example of this is in the case of green investing in the technology industry referred to as environmental technology or clean technology. Organizations that adopt green strategies early will typically be the status and prestige firms that are center in their organizational fields. As a result of their early adoption, they will garner further status and prestige resulting in improved performance.

Firms that follow will also benefit because they will garner normative legitimacy and in fact may lose resources if they do not succumb to normative pressures. Further, professionalization of their work force will demand adoption as a contingency of the professionals remaining with the organization as adoption will represent status and legitimacy to the professional workers. Thus, this paper proposes that normative institutional pressures strongly and positively moderate the relationship between early adoption of greening strategies and firm performance and that firms that adopt early will garner financial benefits as well as attracting and retaining professional resources. Also, normative institutional pressures positively moderate the relationship between late mover adoption of greening strategies and firm performance but not as strongly as in the case of early movers.

DISCUSSION AND FUTURE RESEARCH

In summary, this research can offer several new insights into the discussion regarding the impact of timing on firm performance in the context of going green. Specifically, this paper seeks to make a contribution by introducing the role that the three types of institutional isomorphic pressures – coercive isomorphism, mimetic isomorphism and normative isomorphism - play in the relationship between timing and firm performance. This paper also seeks to extend our understanding of the implications of the early mover strategy literature by combining with the institutional theory literature.

More theoretical work linking firm characteristics to optimal timing strategies to determine what firms are best suited for pioneer and what firms are best suited to follow is needed. Although the research regarding first mover advantages is quite extensive in the product and market entry order literature, research is still lacking in terms of organizational practices (Carow, Heron and Saxton, 2004). Thus, this paper seeks to contribute to this discussion by examining early mover advantages within the context of the greening strategies of the firm and the moderating role that institutional pressures have on the firm's performance.

Performance in the first mover advantage and corporate social responsibility/ethics literature has been operationalized in several ways including accounting measures such as ROI, ROA and sales growth as well as finance based measures such as stock market returns. Notably, much of the previous research in the greening business literature is cross-sectional and event based. Thus, this paper could contribute to research in this area by developing and testing hypotheses that take a longitudinal perspective on firm performance.

Additionally, this research could be extended by further examining the causal chain and delving deeper into why firms follow and why firms lead in the context of environmental strategies. Lastly, examination of the implications of organizational structure would also be insightful, in that further research that seeks to determine if certain structured firms are more apt to move early or late and if certain structured firms are more apt to adopt greening strategies or not. Thus, there are numerous issues to be explored regarding the topic of this paper.

Although research regarding firm's environmental performance and subsequent effect on firm performance is increasing, there is still significant opportunity for contribution particularly in the strategy field. Robertson (2008) used the number of publications in the Strategic Management Journal (SMJ) as a proxy for the prevalence of business ethics or corporate social responsibility related research in the strategy field. In his study of 10 years (1996 – 2005) of business ethics research in the (SMJ), he found that environmental performance was the most prominent ethics theme and it accounted for thirty percent of the ethics articles published in SMJ. However, the environmental performance topic only accounts for approximately one percent of the total 658 SMJ articles published during that period.

Notably, the number of ethics and environmental related articles published during the last five years has doubled the number published in the first five years. This indicates an increase in the prevalence of these types of articles that focus on the firm's responsibility to the environment. Some authors attribute this trend of increased focus on corporate responsibility to the widely publicized scandals of firms such as Enron and Anderson. Thus, this study seeks to contribute to the strategy literature by examining the important topic of environmental performance or going green and its subsequent impact on firm performance. Further, understanding in this area can contribute to insight regarding the central question of strategy scholars which is how firms achieve and sustain a competitive advantage and above normal performance and the role that environmental performance or going green plays. This is arguably an area of research that has significant relevance and promises to continue to grow in relevance for scholars for many years to come.

REFERENCES

Azzone and Bertele. 1994. Exploiting Green Strategies for Competitive Advantage. Long Range Planning 27(6).

Bansal and Roth. 2000. Why Companies Go Green: A Model of Ecological Responsiveness. The Academy of Management Journal, 43 (4).

Barney. 1996. Strategic Factor Markets: Expectations, Luck and Business Strategy. Management Science 32:1231-1241.

Barreto and Baden-Fuller. 2006. To Conform of Perform? Mimetic Behavior, Legitimacy-Based Groups and Performance Consequencies. Journal of Management Studies, 43 (7).

Bies, Bartunek, Fort and Zald. 2007. Corporations as Social Change Agents: Individual, Interpersonal, Institutional, and Environmental Dynamics. Academy of Management Review, 32 (3).

Bohlman, Goldner and Mitra. 2002. Deconstructing the Pioneer's Advantage: Examining vintage Effects and Consumer Valuations of Quality. Management Science 48 (9):1175-1195.

Branzel, Ursacki-Bryant, Vertinsky and Zhang. 2004. The Formation of Green Strategies in Chinese Firms: Matching Corporate Environmental Responses and Individual Principles. Strategic Management Journal, 25: 1075-1095.

Campbell. 2007. Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. Academy of Management Review 32(3).

Carow, Heron and Saxton. 2004. Do Early Birds Get The Returns? An Empirical Investigation of Early-Mover Advantages in Acquisitions. Strategic Management Journal 25: 563-585.

Dechant and Altman. 1994. Environmental Leadership: From Compliance To Competitive Advantage. Academy of Management Executive, 8(3).

Deephouse and Carter. 2005. An Examination of Differences Between Organizational Legitimacy and Organizational Reputation. Journal of Management Studies 42(2).

Delmas and Toffel. 2004. Stakeholders and Environmental Management Practices: An Institutional Framework. Business Strategy and the Environment 13: 209-222.

Dierickx and Cool. 1989. Asset Stock and Accumulation and Sustainability of Competitive Advantage. Management Science, 35:12.

DiMaggio and Powell. 1983. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. American Sociological Review 48(2).

Ethiraj and Zhu. 2008. Performance Effects of Imitative Entry. Strategic Management Journal 29:797-817.

Etzion. 2007. Research on Organizations and the Natural Environment, 1992-Present: A Review. Journal of Management. 33:637.

Gilley, Worrell, Davidson, El-Jelly, 2000. Corporate Environmental Intitiatives and Anticipated Firm Performance: The Differential Effects of Process-Driven Versus Product-Driven Greening Initiatives. Journal of Management 26:1199.

Grannoveter.

Hambrick and Mason. Upper Echelon Theory.

Jennings and Zandbergen 1995. Ecologically Sustainable Organizations and Institutional Approach. Academy of Management Review 20 (4).

Julian, Ofori-Dankwa and Justis. 2008. Understanding Strategic Responses To Interest Group Pressures. Strategic Management Journal 29: 963-984.

King and Lenox. 2001. Does It Really Pay To Be Green? Journal of Industrial Ecology. 5: (1).

Lambkin. 1988. Order of Entry and Performance in New Markets. Strategic Management Journal Summer Special Issue 9:127-140

Lieberman and Montgomery. 1988. First-Mover Advantages. Strategic Management Journal, 9:41-58.

Lieberman and Montgomery. 1998. First-Mover (Dis)Advantages: Retrospective and Link with the Resource-Based View. Strategic Management Journal, 19 (12):1111-1125

Lieberman and Asaba. 2006. Why do Firms Imitate Each Other? Academy of Management Review, 31: (2)

Mackey, Mackey and Barney. 2007. Corporate Social Responsibility and Firm Performance: Investor Preferences and Corporate Strategies. Academy of Management Review 32: (3).

Makadok. 1998. Can First-Mover and Early-Mover Advantages Be Sustained in and Industry with Low Barriers to Entry/Imitation? Strategic Management Journal, 22 (5):387-402.

Margolis, Elfenbein, and Walsh. 2007. Does It Pay to Be Good? A Meta-Analysis and Redirection of Research on the Relationship Between Corporate Social and Financial Performance. Working Paper.

Meyer and Rowan. 1977. Institutionalized Organizations: Formal Structures as Myth and Ceremony. The American Journal of Sociology, 83(2).

Miles and Covin. 2000. Environmental Marketing: A Source of Reputational, Competitive, and Financial Advantage. Journal of Business Ethics, 23:299-311.

Mitchell. 1989. Whether and When? Probability and Timing of Incumbents Entry into Emerging Subfields. Administrative Science Quarterly, 34.

Nehrt. 1996. Timing and Intensity Effects of Environmental Investments. Strategic Management Journal, 17: 535-547.

Oliver. 1996. The Institutional Embeddedness of Economic Activity. Advances in Strategic Management 13: 163-186.

Orlitzky. 2001. Does Firm Size Confound the Relationship Between Corporate Social Performance and Firm Financial Performance? Journal of Business Ethics, 33:167-180.

Orlitzky, Schmidt and Rynes. 2003. Corporate Social and Financial Performance: A Meta-Analysis. Organization Studies, 24:403.

Porter and Van der Linde. 1995. Green and Competitive. Harvard Business Review, September – October, 1995.

Potoski and Prakash.

Prakash and Kollman. 2004. Policy Modes Firms and the Natural Environment. Business Strategy and the Environment, 13:107-128.

Robertson. 2008. An Analysis of Ten Years of Business Ethics Research In Strategic Management Journal: 1996 -2005. Journal of Business Ethics, 80:745-753.

Russo and Fouts. 1997. A Resource-Based Perspective on Corporate Environmental Performance and Profitability. Academy of Management Journal, 40(3).

Russo and Harrison. 2006. Internal Organization and Environmental Performance. Academy of Management Journal, 48(3).

Selznick. 1996. Institutionalism “Old” and “New”. Administrative Science Quarterly 41(2).

Szymanski and Bharadwaj. 1995. Order of Entry and Business Performance: An Empirical Synthesis and Reexamination. Journal Of Marketing 59: 17-33.

Taylor. 1992. Green Management: The Next Competitive Weapon. Futures., September 1992.

Worthington and Patton. 2005. Strategic Intent in The Management of the Green Environment within SMEs. Long Range Planning. 38(197-212).