

How Marketers can ‘Do Well While Doing Good’: The Institutional Theory Framework

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An emerging area of interest in the marketing literature is the study of marketing actions with a social dimension. Underlying this literature is a fundamental reconceptualization of the organization as not only an economic agent, but also an agent of environmental and social change. There are two objectives of this presentation. First, institutional theory is presented in a marketing context to provide a theoretical framework that explains why marketers should integrate pro-social activity with traditional economic-oriented strategies. A theory of the firm provides the conceptual underpinnings that help to guide the development of marketing by providing the theoretical and research traditions within a particular domain of research. Institutional theory is presented as a theory of the firm that provides the potential underpinnings of this emerging domain of marketing thought. The second objective is to present the range of pro-social marketing strategies – or “institutional orientation strategies” - from the institutional theory perspective.

Institutional theory is a theory of the firm that embraces the complementarity between marketing actions with a social dimension and the traditional economic-oriented actions. In particular, it is recognized that an organization faces constituents from both a task and an institutional environment. It is from the task environment that organizations find constituents such as shareholders and customers who reward the organization with their support (investment, patronage) if the organization is viewed as performing in an economically efficient manner. The task environment houses the economic norms of competition and efficiency.

However, organizations also face constituents from the institutional environment. The institutional environment contains the unwritten social rules of “proper” organizational conduct. With increases in the proliferation of competition, turbulent markets, and global corporate strategic networks, governments have a smaller role to play as agents of environmental and social change. As a result, there is a growing backlash from constituents in the institutional environment who demand that organizations balance their economic imperatives with norms of environmental and social responsibility. With the adoption of an institutional theory of the firm, the importance for the organization to adhere to these social norms is not understated. Organizations that come to recognize the importance of demonstrating adherence to these institutional norms are rewarded from constituents with political support, avoidance of boycott pressures, community involvement in the well being of the firm, the attraction of top employees, as just a few important examples.

When responding to constituents from the institutional environment, the organization can adopt a number of institutional orientation strategies. These approaches range from a passive acquiescence to the norms of the institutional environment, to an active attempt by the organization to manipulate these institutional norms. In between these two extreme strategic approaches, marketers may attempt to symbolically demonstrate adherence to institutional norms, while tangibly adhering to norms of economic efficiency.