



Casting call: The expanding nature of actorhood in U.S. firms, 1960–2010[☆]



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ABSTRACT

Organizational scholars today routinely refer to firms as “actors.” In contemporary uses, the term conveys identity, sovereignty and the capacity for purposive action. Understood in this way, the conceptualization of the firm as an actor is significant in that it diverges from descriptions of the firm as, for example, a “legal fiction” that is the aggregation of individual interests via a web of contracts or merely a vehicle for powerful owners to achieve their goals. In this paper, we draw on a content analysis of 300 annual reports from a sample of 80 large U.S. public firms to examine changes in the extent and nature of actorhood portrayals among businesses between 1960 and 2010. Our examination of how firms presented themselves in their annual reports indicates that society’s view of firms as actors both expanded and qualitatively changed during this timeframe. We find that firms increasingly depict themselves as entities with values, agency and responsibility on a growing range of social and economic issues, all of which are consistent with modern notions of actorhood. This transformation corresponds to broader cultural shifts, such as the trend towards managerialism and the explosion of hard and soft law. Overall, we show that institutional pressures do more than provide a set of institutional constraints for “embedded agency”: More fundamentally, cultural shifts constitute firms as actors.

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It is an unexpected twist of history that today we routinely discuss firms in the United States as coherent actors with an autonomous “self.” Although court decisions dating back to the 19th century granted corporations some of the same legal rights and protections afforded to individuals, firms were not envisioned as independent actors in the sense that the term is used today. Instead, firms were contexts for action or instruments for achieving owners’ goals and interests, which have been variously described along a spectrum ranging from benevolent to dangerously selfish (Gomory & Sylla, 2013). Skeptics argued that firms were tools of powerful elites that would subvert the public good (Mills, 1956) or stifle individual creativity and innovation (Whyte, 1956). Proponents argued that firms provided the optimal structure for raising capital (Gordon, 2004), managing production

(Trachtenberg, 2007), or minimizing transaction costs (Coase, 1937; Williamson, 1981). In these views, firms were vehicles for serving other masters; they did not possess an essence of their own. More recently, however, scholars have proposed that firms increasingly act and are treated as actors in their own right (see, e.g., Coleman, 1974; Strandgaard Pedersen & Dobbin, 1997; King, Felin & Whetten, 2010; Meyer, 2010; King, 2015). In this paper, we provide rare empirical evidence documenting firms’ increasing displays of actorhood, and the expansion of characteristics of actorhood to include a growing array of dimensions. Drawing on a content analysis of annual reports from a sample of large U.S. public firms between 1960 and 2010, we find that an increase in firms’ depictions of themselves as actors in numerous domains is associated with several cultural shifts, especially the trend towards

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managerialism and the explosion of hard and soft law. Overall, our study suggests that the internalization of inconsistencies associated with expanding actorhood creates entities that are rather paradoxical: Organizations increasingly display their capability for autonomous, rational action on many fronts while, at the same time, becoming more enmeshed in a web of responsibilities to multiple, diverse stakeholders.

Annual reports are a key source for investigating the nature of firms because of accounting's symbolic and ideological properties (see, for example, Burchell, Clubb, & Hopwood, 1985; Hopwood, 1984; Meyer, 1986). Thus, although annual reports are typically examined in terms of economic information, we join a number of others who draw attention to their expressive, rhetorical, and entity-forming nature (for an overview of research perspectives, see Stanton & Stanton, 2002). We conceptualize annual reporting as playing a dual role. First, accounting and reporting are central to constructing organizations as actors. Accounting practices (including reporting) define, legitimate, and institutionalize firm boundaries, while projecting an image of rationality and function. They do this by specifying what counts as inside and outside the firm, and providing rules for integrating often conflicting demands (Boland, 1982). In the words of Espeland and Hirsch, accounting practices are “one of the strategic fronts on which the battle over the definition of the corporation is waged” (1990: 79). Second, reporting transmits or reflects evolving cultural definitions of what a firm is and should do. The portrayal of a firm in annual reports is responsive to changing social values and expectations, so as to signal legitimacy (Brown & Deegan, 1998; Richardson, 1987). As we will discuss, a legitimate firm is depicted an actor – a bounded, rational, and responsive entity – and communication plays a key role in helping constitute this construction of organizations (Graves, Flesher, & Jordan, 1996; Preston, Wright, & Young, 1996). That is, through the act of communicating a depiction of the firm as an actor, reporting plays a central role in building this constructed reality (Hines, 1988). Overall, accounting is one of the most influential vehicles for the on-going (re-)construction of organizations in line with expanding cultural definitions of being a proper actor.

The term “actor” is rarely defined (Hwang & Colyvas, 2013), but we use it here to denote the possession of several related characteristics: identity, sovereignty, and the capacity for purposive action. Our definition builds on the work of Meyer (2010: 3), who writes: “An actor, compared with a mundane person or group is understood to have clearer boundaries, more articulated purposes, a more elaborate and rationalized technology. An actor is thus much more agentic – more bounded, autonomous, coherent, purposive and hard-wired – than a person.” Somewhat surprisingly, given the widespread use of the term “actor” in reference to firms, there is a dearth of empirical evidence related to the historically situated processes that have over time shaped the extent of actorhood afforded to firms. As Westphal and Zajac (2013) observe, although it is now commonplace to accept that agency is socially constrained by existing institutions, less attention has been paid to the socially constituted elements of agency, particularly at the macro level. Relatedly, King et al. (2010: 291) lament, “Not much effort has been made to explain the underlying assumptions of what it means [for an organization] to be an actor. Consequently, our organizational theories have weakly theorized the very unit of analysis that defines our domain of study.” Thus, it bears asking whether societal expectations that specify what legitimate firms should look like and what activities they should undertake have shifted over time; more specifically, we observe an expansion of actorhood over time.

Understanding expanding actorhood among firms is important because, in acquiring the traits of modern actors (i.e., bounded, autonomous, purposive entities with distinct identities on a

growing set of dimensions), companies take on characteristics that are poorly accounted for by the dominant conceptions of the firm. As an example, explanations focused mainly on power or function struggle to account for the rise in corporate responsibility (CR) that has occurred over the past several decades. Explanations rooted in the functionality of CR are unsatisfying because evidence of its financial and/or reputational benefits is mixed at best (Margolis & Walsh, 2001). At the same time, power-based accounts, which might explain the rise of CR as stemming from the personal interests of powerful CEOs, are weak; for the rise in CR to be a simple manifestation of growing benevolence among CEOs seems unlikely. Rather, part of the shift has to do with pressures firms face, or believe they might face, from parties such as social movement organizations (Soule, 2009), the public, or government. The fact that these audiences call for responsibility and sustainability implicitly reveals that they see firms as actors endowed with agency and control over their actions. A great irony of contemporary actorhood emerges as firms respond to pressures on multiple fronts: As the realms of expected agency and control expand (e.g. to include not only profit, but also equality and environmental damage) actual autonomy and sovereignty is diminished [see Bromley & Meyer, 2015 for a more detailed discussion].

Similarly, the study of corporate culture is a burgeoning area of organizational research. As we show later, firms increasingly emphasize having a unique corporate identity, culture, and values. The early descriptive use of ‘culture’ as a phrase to identify differences between American and Japanese firms has evolved over time into something that is now perceived as another strategic tool that can be manipulated. Both the idea of a coherent firm culture and the intention to purposefully deploy identity for instrumental ends are tied to expansions in actorhood.¹ Although firms no doubt serve economic purposes and are often used as vehicles of power, these views alone fail to fully account for the expansion in the complexity and nature of their structures and practices.²

To empirically examine the changing nature and extent of actorhood among firms, we analyzed text and images from 300 annual reports representing 80 large, public U.S. companies over the period 1960 to 2010. We chose this empirical approach for several reasons. Most importantly, annual reports are part of a symbolic repertoire that firms use to construct identity and convey actorhood (for a similar approach, see Glynn & Abzug, 2002). Annual reports and accounting practices reflect an assumption that the numbers capture ‘the organization’ as a concrete and whole creature (Hendricksen, 1970). In processing human economic activity, accounting does not straightforwardly capture an objective reality, instead in establishing definitions of firm boundaries and rules for internal integration, it socially constructs firms as imagined whole entities (Kurunmäki, 1999; Miller, 1994). Our approach contributes to a body of research linking to sociological theories of organization, showing that institutional cultural pressures shape reporting (e.g. Covalleski & Aiken, 1986; Meyer, 1986; Mezas, 1990). Going further, we also argue that changes in reporting institutionalize an expanding conceptualization of what it means to be a proper organization; one rooted in ideas of actorhood (Bromley & Meyer, 2015; Meyer, 2010). That is, the representational and

¹ We thank an anonymous reviewer for noting this point; and more generally observing that the rise and expansion of dimensions of actorhood, such as firm culture, are not isolated, but emerge as intertwined historical processes that can be analyzed in their own right.

² Related to our approach, a body of research points to the institutional sources of the elaboration of firm structures, purposes, and practices, often using phrases like institutional pluralism, multiple logics, or competing logics (e.g. Kraatz & Block, 2008; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Thornton & Ocasio, 2008).

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