

**Strategic Conformity and Nonconformity:
Integrating Institutional Theory,
The Resource-Based View of the Firm and Creativity Research**

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This paper proposes an integration of institutional theory, which explains the pulls of strategic conformity, and the resource-based view of the firm, which identifies the importance of strategic nonconformity. It suggests that the absence or presence of creativity in firm culture explains whether firms will make explicit whether to conform to or reject institutional norms. Creativity, as used here, is defined as the development of novel and practical ideas that provide a platform from which institutional norms can be challenged. A model of competitive strategy as imitative, therefore imitable; incremental, imitable over time, or innovative, as good as inimitable, is developed. Alignment between institutional and firm cultures produces strategic conformity. Paradoxically, the pervasive influence of taken-for-granted norms may be challenged through the institutionalization of creativity within firm culture. Firms who value creativity may elect to conform to institutional conventions but do so consciously. Enabling factors that influence the choice of strategy include a need for legitimacy, tolerance of risk, diversity of viewpoints and expression, firm size, leadership style, organizational design and rewards structure.

Theorists in organizational behavior and strategic management have looked at firm behavior from divergent viewpoints: that of firm homogeneity and that of firm heterogeneity. Institutional theorists have proposed conformity as a powerful mechanism to cope with environmental uncertainty, regulate competitive rivalry, increase the legitimacy of both the firm and its management, raise capital for growth and generate above average returns. While the need for legitimacy is a motivation for firms to adopt imitative behaviors, institutionalists also point to the presence of shared mind sets amongst both firms and individuals within industries. Competitive behavior from this standpoint represents the enactment of participants' taken-for-granted assumptions of "the way things are and/or the way things are to be done" (Scott, 1987: 496). As Oliver (1991) has noted, "institutional theory illustrates how the exercise of strategic choice may be preempted" (148).

While institutional theorists have looked at the pressures that induce firms to adopt often fundamentally identical strategic behaviors, strategy scholars have traditionally focused on competitive success from the perspective of firm heterogeneity. With the emergence of the resource-based view of the firm, discussion amongst strategy scholars has centered on those differences between firms that erect barriers to imitation and, thereby, provide lasting competitive advantage. Yet, strategy theorists have also noted the tendency of firms towards imitative strategic behavior. Porter, for example, has noted that "the essence of strategy is...choosing to perform activities differently or to perform different activities than rivals" (1996: 64), while also observing that, "Conventional wisdom within an industry is often strong, homogenizing competition...Trade-offs are frightening, and making no choice is sometimes preferred to risking blame for a bad choice. Companies imitate one another in a type of herd behavior, each assuming rivals know something they do not (1996: 75)."

This paper begins with a review of institutional theory and the reasons behind the drive to conformity, both conscious and unconscious, followed by a review of the importance attached to nonconformity by the resource-based view of the firm. Next, the implications of creativity theory and research are reviewed in relation to the tendency of firms to adopt imitative or idiosyncratic strategies. For the purposes of this paper, creativity is presented as a capability which continuously challenges habitual thinking and practices through the generation of novel and practical alternatives.

Based on the view of the firm as embedded in an environmental context, propositions and a model are presented to explain the interaction between environmental influences and firm-specific variables that determine strategy adoption. At the level of the firm, the exploration of strategic pathways outside institutionally legitimated norms is linked to the legitimation of creativity within the firm. The adoption of an imitative or idiosyncratic strategy is, however, influenced by various factors which moderate the choice of strategy ultimately adopted.

INSTITUTIONAL THEORY: THE ADVANTAGES OF CONFORMITY

Institutional theory is about the “homogeneity in structure, culture and output” (DiMaggio & Powell, 1983: 147) between organizations. One cause is mimetic isomorphism (hereafter, isomorphism), defined as the tendency of firms in established fields to imitate the behavior of large, successful rivals (DiMaggio & Powell, 1983). Conformity to accepted behavioral norms accords legitimacy to the firm and its management and validity and rationality to their decisions amongst stakeholders (Meyer & Scott, 1988) and, thereby, increases a firm’s survival chances (Oliver, 1996). The pursuit of legitimacy, however, may be at the expense of economic efficiency, effectiveness or both (O’Neill, Pouders & Buchholtz, 1998).

From an institutional perspective, modeling is also conceived as a response to environmental uncertainty (DiMaggio & Powell, 1983): as uncertainty rises, the relationship between strategic choices and outcomes becomes unpredictable and strategy conformity may be preferred (Miller & Chen, 1995). Other forms of uncertainty leading to imitation include fear of loss of competitive advantage (Abrahamson & Rosenkopf, 1991) and fear of loss of market share (Fligstein, 1991).

The view of the firm as inextricably embedded within an institutional context (Oliver, 1996) provides insight into how isomorphism is also, however, a manifestation of taken-for-granted beliefs, assumptions, causal attributions and scripts on the rules of competition (Oliver, 1996). At the level of the firm, taken-for-granted assumptions restrict managerial attention to traditional options (Oliver, 1991) and lead to strategic conformity (Abrahamson & Fombrun, 1994); in turn, a collective myopia to issues incompatible with group-held assumptions, whether opportunities or threats, leads to competitive inertia (Abrahamson & Fombrun, 1994). In the view of field members, the obvious properness of their strategic behavior creates a tacit bias against innovative change and blindness to threats. Empirical research, such as Porac et al.’s (1995) work on the Scottish knitwear industry, has confirmed the existence of shared cognitive models amongst participants which array industries into subgroups of close competitors known as fields.

While Fligstein (1991) agrees that fields are socially constructed, he has also persuasively argued that fields are systems of power with well-entrenched “pecking orders,” held together by the self-interest of leading firms in preservation of the status quo or strategic conformity (312-

317). Tactics used by dominant firms to ensure conformity may include coercion; however, recognition of the benefits of stable competition by field members is often the key motive for compliance.

While incremental and convergent change are ongoing within fields, radical change is ordinarily initiated only in response to external shocks (Greenwood & Hinings, 1996). At the level of the firm, confusion about how to respond to the crisis provides an opportunity for competing political coalitions within the dominant firm to champion a new strategy (Fligstein, 1991). In turn, the lead of the dominant firm is copied by other field members and equilibrium, re-established (Fligstein, 1991).

THE RESOURCE-BASED VIEW: THE ADVANTAGES OF NONCONFORMITY

While the drive to homogeneity and its benefits has long been noted in institutional research, in strategy, nonconformity was early presented as a source of competitive advantage (e.g. Andrews, 1971). With the emergence of the resource-based view of the firm, the development of sustainable competitive advantage has been seen as a result of both the conscious and tacit development of highly idiosyncratic firm resources and capabilities which create barriers to imitation (Barney, 1991). To contribute a sustained competitive advantage, a resource or a resource bundle must be valuable, rare, inimitable and without substitutes (Barney, 1991)

In institutional theory, labour mobility is regarded as a key homogenizing influence on competitive behavior (DiMaggio & Powell, 1983). In the resource-based view of the firm, the concept of causal ambiguity (Barney, 1991) suggests that employees themselves only imperfectly understand the complex path dependencies that create resource advantages.

While the qualities that lead to sustainable competitive advantage have been well catalogued, there are a number of perspectives on what resources or capabilities create barriers to imitation. Some resources seem to be more influential than others; Barney (1986, 1994), for example, has noted that all firms have a culture but only some firms have cultures that are valuable, rare and inimitable. Penrose (1959) has suggested that imaginative vision combined with a practical approach to new products and markets fosters firm growth, whereas “commonplace” (Penrose, 1991) ideas are obstacles to growth. Another possibility that is gaining acceptance is that resources form a hierarchy (Barney, 1994; Brumagim, 1994).

THE ROLE OF CREATIVITY IN STRATEGIC BEHAVIOR

Creativity theory recognizes an inherent tension between creative and habitual, conformist actions; for example, Amabile et al. (1996) have found that an overemphasis on conservatism, the status quo, and risk avoidance discourages creativity. While some creativity theorists have proposed that individuals prefer creative action, Ford has noted that it is more likely that people and firms will “choose familiar behavioural options that are relatively more attractive based on their past success, ease, and certainty” (Ford, 1996: 1116). Thus, support of risk taking, idea generation and innovation within firm culture and management practices is essential to creativity (Amabile et al. 1996).

Woodman, Sawyer and Griffen (1993) have hypothesized that organizational creativity is a function of the interaction between individual, group and organizational processes and the impact of contextual variables, ranging from the influence of professional alignments at the individual level to the influence of competing firms at the organizational level. Their model recog-

nizes the importance of the legitimization of creativity in firm culture and strategy; political support for creativity, the presence of diverse viewpoints, a tolerance for conflict between firm members; and the encouragement of risk taking to organizational creativity. Studies have also found that organizational factors interact with an individual's characteristics to enhance or constrain creativity and suggested a conflict between creativity and traditional job performance (e.g., Oldham & Cummings, 1996).

Finally, organizational creativity can be conceptualized as an aggregate of individuals' creativity (Woodman, Sawyer & Griffen, 1993). Creativity research assumes that all individuals with normal capacities, if motivated, are capable of producing at least moderately creative ideas; however, whether these are actualized in the workplace or other domains largely depends on the encouragement of creativity in the workplace (Amabile, 1997).

Finally, Oldham and Cummings (1996) have pointed to a need for clarity between different types of creativity ranging from incremental improvements to current strategies, products or processes to radical changes representing a major shift in perspective. This distinction has also been recognized by resource-based theorists. For example, Barney (1994), has suggested that while radical innovation throws up substantial barriers to imitation, creativity can also contribute a sustainable competitive advantage through the continuous introduction of proposals that provide incremental innovations.

A CREATIVITY-BASED EXPLANATION OF STRATEGY

Within the resource-based frame, the presence and encouragement of creativity is pivotal to both the development of unique combinations of inputs and the development of unique strategies of deployment. The *conformity* or *nonconformity* of a strategy, in this paper, is determined through its comparison to institutionalized norms of strategic behavior: a conformist strategy approximates isomorphic norms; a nonconformist strategy departs from these norms (Miller & Chen, 1995). Strategic behavior is defined as *innovative* when it is not a duplication of a competitor's move but rather created and implemented by the firm and is as good as inimitable from the standpoint of the resource-based view of the firm. In turn, *imitative* strategy is a duplication of a competitor's prior move, and is, similarly, imitable. *Incremental* strategy, as defined here, is an improvement over current industry practices created and implemented by the firm. It is imitable in time; however, lags in imitation allow the firm to earn above-average profits and develop further incremental improvements that in turn erect new barriers to imitation.

THE ROLE OF INSTITUTIONAL NORMS

The choice between innovative, incremental and imitative strategic behavior is a result of the interaction between environmental influences and organizational factors. The key external determinant of strategic behavior is the prevalence of institutional norms of strategic behavior. The benefits of following institutionalized norms of competitive behavior for field members range from access to resources and stable and often collaborative relations with competitors to enhanced profitability and increased chances of survival in the face of uncertainty (DiMaggio & Powell, 1983; Abrahamson & Fombrun, 1994; Miller & Chen, 1995; Oliver, 1996, 1991). The perspective that organizations adopt conformity in order to increase their legitimacy assumes that firms explicitly recognize the tradeoffs between strategic conformity and unconformity. However, strategic homogeneity is also the result of the development over time of taken-for-granted assumptions of appropriate behavior (Oliver, 1996), called knowledge structures, schema, mental templates or mental maps within cognition (Walsh, 1995).

Antecedents of institutionalized strategic behaviors include field maturity (DiMaggio & Powell, 1983) or the passage of time since the last major upheaval (Miller & Chen, 1995); the presence of dominant firms with a reputation for success who serve as role models (O'Neill, Poudier & Buchholtz, 1998); the tendency of medium and smaller firms to mimic the behavior of larger organizations (Haveman, 1993); and the self-interest of dominant firms in preservation of the status quo (Fligstein, 1991). The socialization of members to industry viewpoints occurs through the activities of industry associations, shared information sources including trade publications and consultants, and hiring practices which favour industry experience (Di Maggio & Powell, 1983), and highly similar network linkages (Abrahamson & Fombrun, 1994). Finally, geographical proximity and, particularly, insularity contribute to ideological homogeneity evident (Fombrun, 1992).

P1: Fields, as they mature, develop legitimated norms of strategic behavior which influence, both consciously and unconsciously, the strategic choices of field members.

THE ROLE OF FIRM CULTURE

The Alignment of Firm Culture with Institutional Norms

The influence of institutional norms on firm behavior depends on organizational variables. Unreflective adherence to institutionalized norms of strategic behavior leads to the adoption of legitimated models. Firms may rationalize their behavior on the grounds of competitive parity; however, their choices are constrained by their inability to conceive alternatives that deviate from prevailing industry recipes.

The unconscious adoption of industry models at the level of the firm is a result of many of the same influences that lead to the institutionalization of norms at the level of the field. For instance, Geletkanycz and Hambrick (1997) have found empirical evidence for the influence of executives' participation in trade association activities on the adoption of imitative strategies. Their results concur with earlier work of Finkelstein and Hambrick (1990): namely that the length of tenure of executives within industries increases strategic conformity with industry-held models.

While isomorphism may be perceived to exert a strong pull to conformity to outsiders, field members themselves may not even be aware of it. Indeed, industry beliefs are likely so seamlessly integrated into the organizational culture of field members that *institutionalized* assumptions, values and norms provide the context for *organizational* identity, sensemaking and action. This seamless alignment leads to stability and legitimacy, except when the field is threatened by outside events but also includes the unconscious renunciation of strategic choice through the development of firm strategy based on taken-for-granted assumptions (Oliver, 1991). Thus, Greenwood and Hinings (1996) have suggested that institutional theory is about convergence: change occurs but its "nature ...is one of constant reproduction and reinforcement of existing modes of thought"(1027).

P2: Alignment between institutional and firm-held norms of strategic behavior prompts the unreflective acceptance of institutional norms and the unreflective suppression of creativity.

The Legitimization of Creativity within Firm Culture

Firms with quite different cultures along many dimensions may exhibit a high degree of strategic similarity. Whether a firm's culture is weak or strong helps to assess its importance as a homogenizing influence on employees' perceptions but does not assist in predicting whether a firm will adopt an imitative or idiosyncratic strategy. Instead, whether a firm is receptive to change and innovation or prefers the status quo largely depends on the extent to which creativity is institutionalized in the firm's culture and, therefore, taken for granted. The conceptualization of creativity as the development of new and useful ideas (Amabile, 1996) and its presentation in creativity research as the opposite of conformity (Ford, 1996) captures the importance of creativity to the challenging of taken-for-granted beliefs and development of alternate models of strategic choice.

From the standpoint of the resource-based view of the firm, Penrose's (1959, 1991) comparison of "imaginative vision" as a determinant of growth with "commonplace ideas" as obstacles to growth places creativity in the forefront of resources which act as an isolating mechanism. Within the development of a hierarchical approach to resources and competencies, Brumagim (1994: 89-99) presents firm vision in the tradition of Ghemawat at the top level and learning resources, such as creativity and learning, second from the top. Brumagim's conceptualization of the higher-level effect of vision on lower-tier resources (90) closely parallels Barney's (1986) discussion of the pervasive influence of firm culture. Unlike Brumagim, however, Barney, has suggested that only some cultures—or visions—are valuable, rare and inimitable, while others "actually reflect an underlying commonality and function, and thus are not rare at all" (1983: 660).

In essence, organizational culture provides the context of identity and values formation, sensemaking and action, held together by myths and rituals. As Smircich (1983: 355) has pointed out, cultural analysis from the perspective of research ought to be about the questioning of taken-for-granted assumptions. Ultimately, the development and acceptance of new and useful strategy alternatives is thus not possible without the legitimization of creativity within a firm's culture. Thus, expenditures on research and development can lead to the development of new products but not their commercialization without cultural and strategic support for creativity.

Fligstein (1991), as well as Greenwood and Hinings (1997), have suggested strategic assumptions and behaviors are held in place by powerful organizational actors. A shift in strategy threatens the status quo of the dominant elite. Unless creativity is culturally legitimated, organizational politics determine the championing or suppression of creative ideas. Empirical research (Amabile et al., 1996) confirms that creative ideas are lost to political strife without a firmwide commitment to creativity and innovation. It has also shown that employees' perceptions of the value that is placed on creativity within firm culture are some of the most important factors in the stimulation of creativity. (Amabile, 1997)

Some institutionalists (e.g., Fligstein 1991) consider that innovative behavior is high only when fields are not well developed, as in emergent industries, or when fields are in disequilibrium following an external shock. However, Reger and Huff (1993) uncovered high similarities in outlook between firms within strategic groups but also found "*idiosyncratic firms*," whose strategies were different along key strategic dimensions from the recipes followed by most industry members (1993: 117). Similarly, Greenwood and Hinings' (1996) found that changes at the level of firm can result in a movement away from the status quo "*even though institutional pressures were unchanged*" (1036). Intrinsic firm dynamics therefore moderate the intensity of the influence of institutional norms within firms.

P3: Legitimization of creativity within firm culture prompts the generation of creative ideas that challenge institutional norms.

MODERATING FACTORS

The extent of alignment between institutionally-held beliefs and the legitimization of creativity within firm culture in part predicts whether firms will develop imitative or innovative strategic alternatives. At the end, however, choice of strategy is also influenced by a number of factors that determine which type is adopted.

The Need for Legitimacy

Institutional theory (DiMaggio & Powell, 1983, Oliver, 1996), supported by research (Auster & Sirower, 1998; Geletkanycz & Hambrick, 1997; Deephouse, 1996; Miller & Chen, 1995; Fligstein, 1991), points to the importance of strategic conformity to legitimacy both in regard to tactical decisions and strategic initiatives. The pursuit of legitimacy, through conformity, suggests that firms, despite the vision of more unique alternatives, may consciously opt for imitative strategies.

Legitimacy can be defined from the perspective of the firm and its top managers. For the firm, legitimacy through conformity may be preferred to secure the endorsement of capital markets, especially in merger and divestiture decisions (Auster & Sirower, 1998). While performance may be undermined by strategic conformity, the access to resources gained from conformity increases the probability of survival (Greenwood & Hinings, 1996). For managers, adherence to normative models validates the credibility and thereby legitimacy and prestige of their decisions with key stakeholders. Some firms and managers, however, attach a low priority to legitimacy. Reasons may vary from a lack of need for support of their decisions based on resource independence, network sovereignty and market dominance to an unshaken confidence in the soundness of their strategy choice.

P4: Strategy choices are moderated by the need for legitimacy: a high need for legitimacy prompts the adoption of imitative strategies; a moderate need for legitimacy prompts the adoption of incremental strategies; and a low need for legitimacy prompts to adoption of innovative strategies.

Risk Tolerance

Risk relates to firms' perceptions of environmental uncertainty. Institutional theory presumes a bias for predictability; hence, as uncertainty increases so too, modeling (Haveman, 1993; Oliver, 1991; O'Neill et al., 1998). Research (Geletkanycz & Hambrick, 1997) has supported a positive relation between strategic conformity with uncertainty and strategic nonconformity and relative environmental certainty. Creativity researchers have also recognized that uncertainty leads to status quo solutions (Ford, 1996; Woodman, Sawyer, Griffen, 1993) and that a low tolerance of risk impedes creativity (Amabile 1997). Finally, although strategy assigns a high priority to idiosyncrasy, nonconformity is in itself risky in that it may lead to the erosion of legitimacy, alienation of key stakeholders, and diminution of performance (Miller & Chen, 1995).

P5: Strategy choices are moderated by environmental uncertainty and a firm's tolerance of risk: a low tolerance of risk prompts the adoption of imitative strategy; a moderate tolerance of risk

prompts the adoption of incremental strategy; and a high tolerance of risk prompts the adoption of innovative strategy.

Diversity of Viewpoints and Expression

Institutional theory suggests a reduction in diversity occurs at the level of the firm and its members through socialization, including memberships in trade and professional associations, hiring practices which favour industry experience, and shared information sources ranging from trade publications to suppliers, customers and consultants (DiMaggio & Powell, 1983; Abrahamson & Fombrun, 1994).

The importance of diversity in viewpoints and skills is strongly supported in creativity theory (Woodman, Saywer & Griffen, 1993; Amabile, 1996). Similarly, extra-industry exposure through work experience, membership in broad-based professional associations and outside directorships have been shown to increase strategic diversity (Geletkanycz & Hambrick, 1997). In highly institutionalized fields, small increases in diversity contribute to significant changes in outlook on institutional norms (Greenwood & Hinings, 1996).

Equally important is the free expression of diverse ideas especially those that challenge current strategy paths adopted by the firm. Otherwise, political concerns and the self-interest of dominant players may lead to the promotion of inferior strategies.

P6: Strategy choices are moderated by the existence and expression of diversity of viewpoints: low diversity prompts the adoption of imitative strategy; moderate diversity prompts the adoption of incremental strategy; and high diversity prompts the adoption of innovative strategy.

Firm Size

Firm size moderates strategic conformity and nonconformity. Counterintuitive to the popular view that small firms are more innovative, in Fligstein's (1991) view, small firms are imitative: large firms by virtue of their relative size and self-interest in doing so influence the behavior of smaller firms. In support of Fligstein, research (Haveman, 1993) shows that within established fields medium and small firms are more likely to imitate the behavior of larger firms and large firms are more likely to deviate from institutional norms. Although Miller and Chen (1995) failed to uncover a direct relationship between nonconformity and firm size, they did find a positive financial relationship between large firms and nonconformity for firms operating in diverse markets.

As well, firm size in itself confers legitimacy and access to resources to implement creative ideas and in some industries can in itself serve as a barrier to imitation. Especially important are slack resources. Within the resource-based view of the firm, the existence of slack resources is positively associated with firm growth (Penrose, 1959). In creativity research, the availability of slack resources is positively linked to increased creativity (Woodman, Saywer & Griffen, 1993).

P7: Strategy choices are moderated by firm size: small or medium firm size prompts the adoption of imitative strategy; large firm size prompts the adoption of incremental or innovative strategy.

Leadership Style, Organizational Design and Rewards

While the existence of diverse viewpoints contributes to creativity, research (Woodman, Sawyer & Grifflen, 1993). suggests that the free expression and exchange of views is as important. Participative leadership styles and organic firm structures promote the exchange of information and ideas between firm members, whereas highly autocratic leadership styles and mechanistic structures constrain the sharing of information and opinions.

The type of rewards used by firms also influence the creative process. There is, for example, significant evidence (Amabile et al., 1996) that extrinsic rewards, such as financial bonuses tied to the outcome of creative performance, suppress creativity but that intrinsic rewards, such as the promise of interesting work and autonomy, encourage creativity.

P8: Strategy choices are moderated by choice of leadership style, organizational design and rewards: an autocratic leadership style, mechanistic design and financial rewards inhibit creativity and thereby prompt the adoption of imitative strategy; a participative leadership style, an organic design and intrinsic rewards support creativity and thereby prompt the adoption of incremental or innovative strategy.

RESEARCH IMPLICATIONS

This paper proposes creativity as a device that decouples firm-held assumptions from institutional-held assumptions. The possibilities for empirical investigation of the proposed model include longitudinal comparison of the strategic behavior of members in a well-established field. Researchers have favorably used industry-specific trade publications (e.g. Miller & Chen, 1995) to track industry-held views, as well as individual firm strategies. In addition, researchers (e.g. Barr, Stimpert & Huff, 1992) have successfully used annual report data to investigate firm-held perceptions. Mapping the behavior of individual firms against field-held views circumvents the issue of how to measure creativity and allows for the coding of the strategic behavior of firms as imitative, incremental or innovative. As well, comparison between these data sources might provide evidence of the absence of creativity, associated with a high degree of conformity between field-held and firm-held views, and the embeddedness of creativity within firm culture, associated with divergence between field-held and firm-held views. Finally, the annual reports might also reveal the influence of perceptions of risk and the importance of legitimacy, as well as changes in leadership style, organizational design and rewards. A second avenue for research includes a multiple-case approach utilizing data from interviews, questionnaires, observations and secondary sources to explore the hypothesized differences between firms representative of each strategy type.

DISCUSSION

This paper attempts to extend our understanding of choice of strategy through recognition of the importance of the institutional context in which firms operate as a necessary level of analysis in understanding why firms make strategy decisions. It also extends the importance of creativity from product and process design to strategy development. In doing so, the model uses a multilevel and multitheoretical approach. Much of the theory on which the model is based is, however, underdeveloped. There is little applied research on mimetic isomorphism, although an interesting development is the study of strategic conformity and nonconformity. The resource-based view of the firm remains largely untested from an empirical standpoint, although its value as a comprehensive theory that links economic and organizational theory is widely acknowledged. Creativity theory offers several promising avenues but the research on its measurement is fragmented and undefinitive.

This model contributes a starting point to understanding of the complex interplay between exogenous and endogenous variables in strategy development and why some firms are more susceptible than others to isomorphism. Its limitations include its omission of contributions from the perspectives of cognition, touched upon marginally, and agency theory, not discussed, in explaining managerial and firm behaviors. Also neglected are the influence and role of the top manager and top management team, boards and institutional investors and strategic alliances. Differences between firms with single and multiple business units are also not controlled.

Both strategic conformity and nonconformity are viable strategic alternatives contingent upon environmental conditions ranging from uncertainty to industry. However, the unconscious adoption of strategic conformity may increase the short-term legitimacy of firms but threaten the long-term survival of firms. As population ecologists have pointed out, structural reorganizations, whether implemented by new or established firms alike, are vulnerable to failure. Likely, strategy innovations also bear the liability of newness.

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