

Managing Industry Reputation: The Dynamic Tension Between Collective And Competitive Reputation Management Strategies

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ABSTRACT

To broaden understanding of the dynamics of collective reputation management, we conducted a longitudinal, qualitative study of two industries whose legitimacy was under sustained and intense attack by environmental stakeholders. Our study traces the emergence of, and dynamic tension between, collective and competitive reputation management, and examines the motives for and effects of specific strategies used by the industry, individual firms and groups of firms. The paper contributes to theory building on the dynamic interplay of, and tensions between, collective and competitive reputation management.

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INTRODUCTION

Globalization, the influence of the media and stakeholder¹ activism, has made both firm- and industry-level reputation management more important than ever (Fombrun and Van Riel, 2004). Nongovernment activist organizations use increasingly sophisticated public relations tactics to undermine the legitimacy of firms and industries and raise questions about ‘the propriety of their continued existence and operation’ (Mahon and McGowan, 1996: 63). When the legitimacy of an entire industry is challenged, a crisis may result, and the industry as a whole may lose access to the resources that members need for survival (Barnett, 2006b; Suchman, 1995). At such times, firms may put their competitive rivalry aside and band together to counter the threat.

Although recent studies have examined the reasons for the emergence of collective action in response to episodic external

triggering events or the misdeeds of an industry member (eg Barnett, 2006a,b; King and Lenox, 2000), the management literature has 'given little attention to the strategies that firms use to influence industry characteristics,' or to the 'dynamic tension that firms necessarily face in allocating limited resources between independently managing their competitive characteristics and collectively managing their industry characteristics' (Barnett, 2006b: 1753–1754). As a result, we have a very limited understanding of how and why members of an industry choose *between* collective and competitive strategies as they strive to retain or restore legitimacy under sustained attacks and criticism.

To deepen understanding of the dynamic interplay between collective and competitive reputation management, we study and compare the reputation management strategies of two industries facing prolonged legitimacy crises, forestry and salmon farming in British Columbia (BC). Each of these industries and their leading firms were subject to intense social, economic and environmental pressures for decades, generating repeated threats to their access to resources, to customers and to public approval. The repeated and varied strategies used to restore both individual firms' reputations and industry-wide legitimacy provided a rich data set for this study. We examined the strategies of, and motivations behind, the multiple occasions of competitive and collective reputation management in both industries. We focused especially on the role of elite firms, who deviated from collective efforts, and on the underlying dynamics of 'switching' between strategies. Our study contributes in several ways to building theory on the tension between managing industry legitimacy for survival and managing firm reputation for competitive advantage (Barnett, 2006a,b). We offer detailed accounts of competitive and of collective reputation management choices. Earlier work on competitive strategies emphasized the differentiation benefits

of competitive strategies. We find firm survival to be an additional motivation; firms were willing to break ranks with their former 'collective' to ensure their own survival. Painting a more complex picture of the intricacies and tensions between collective and competitive reputation management, we thus further the theoretical debate and expand on the dichotomy between industry survival (via collective legitimacy) and firm advantage (via individual reputation).

We first position our study in the literature, then describe our methodology, which is qualitative, longitudinal and comparative. Next, we chronicle the dynamic interplay between collective and competitive corporate reputation management in both industries, and discuss our findings in light of their theoretical contributions. We close with suggestions for future research and examine implications for the practice of reputation management under legitimacy crises.

COLLECTIVE REPUTATION MANAGEMENT

Corporate reputation is the overall assessment of a firm relative to its peers by its stakeholders over time (see, eg, Barnett *et al.*, 2006; Fombrun, 1996; Gotsi and Wilson, 2001; Mahon and Wartick, 2003). This evaluation can be based on the stakeholders' direct experiences of the firm or any other communication or symbolism that provides information about the firm (Fombrun, 1996; Gotsi and Wilson, 2001). Barnett *et al.* (2006) disaggregate corporate reputation from its conceptual cousins, corporate identity, image and reputational capital. We concur with their view that reputation captures the assessment of an entity (in this paper either of the industry, of an individual firm or of groups of firms) by external constituents, and define *industry reputation* as the collective judgments of an industry by stakeholders and the general public, where that judgment is based on assessments of the economic, social and environmental impacts attributed to that

industry over time. We use the terms industry reputation and collective reputation synonymously, as distinct from (individual) firm reputation. The reputation of an industry can be affected by deliberate and nondeliberate actions and events, caused by either industry members or outsiders. Scandals involving individual firms, for example, may cast an entire industry into a bad light, just as positive publicity may enhance the industry's reputation. We do, however, expect that misdeeds have an asymmetrically greater (more damaging) effect than good deeds.

In an effort to manage industry reputation, industry members may jointly mobilize resources and plan actions (Astley and Fombrun, 1983) to counteract environmental pressures (Barnett, 2006b), or firms may act individually to benefit the collective. We refer to *collective reputation management* as all activities and behavior undertaken by members of a collective to deliberately alter judgments about the reputation of the collective. Activities include information sharing, joint research and development, establishing codes of conduct, allying through trade associations (a primary vehicle of industry cooperation, cf., Barnett, 2006a) and performing industry-level public relations and advertising (Aldrich and Fiol, 1994). Conversely, *competitive reputation management* refers to activities undertaken by a single firm to enhance its own reputation and competitive position *vis-à-vis* other members of the industry. Activities include firm-level public relations activities, advertising or changes in operational practices. Because its focus is on competitive differentiation, competitive reputation management may conflict with collective reputation management activities.

Incentives and Disincentives for Collective Action

Most of the research on collective reputation management to date has focused on the factors that lead to its emergence. Being in a reputation commons has been identified as

one important factor. This occurs when an individual firm's reputation is tied to the reputation of other firms because stakeholders are unable to differentiate their performance from that of their peers (Aldrich and Fiol, 1994; Barnett, 2006a,b; King *et al.*, 2002). Collective action tends to emerge when an industry in a reputation commons is threatened with stakeholder sanctions (Barnett and King, 2006; Frooman, 1999; Hoffman, 1999), targeted by an influential group (Barnett, 2006a; Hoffman and Ocasio, 2001) or when the misdeeds of one of its members creates a triggering event (Hoffman and Ocasio, 2001; King and Lenox, 2000; King *et al.*, 2002; Rees, 1997). When all firms are 'tarred with the same brush,' prompting a legitimacy challenge (Barnett, 2006a) for the industry as a whole, the incentives to engage in collective reputation management activities (Aldrich and Fiol, 1994; King *et al.*, 2002) outweigh both the costs to and incentives for individual firms to compete for differential firm reputation (Barnett, 2006a).

A second key factor relates to the actions of leading firms in an industry. Collective action is more likely to emerge when it is promoted and supported by the higher status firms in an industry, especially when they are targeted on a specific issue (Barnett, 2006b; Hoffman and Ocasio, 2001; King and Lenox, 2000). Firms with greater visibility, size or proportion of their business in the industry (Barnett, 2006b) are both more likely to engage in collective action and are better positioned to influence other firms to participate (Hoffman and Ocasio, 2001; Mahon *et al.*, 2004). Their greater connectedness and centrality can further catalyze collective action, for example through founding and initially financing trade associations (Aldrich and Fiol, 1994).

At the same time, individual firms have motivations not to participate in collective reputation management and/or to actively engage in competitive reputation management

(Barnett, 2002, 2006a,b). Reasons for non-participation arise when some firms are 'footing the bill' for collective reputation management strategies in a reputation commons, giving other firms opportunities to free-ride on other firms' efforts (Olson, 1965, in King *et al.*, 2002). Alternatively, firms may prefer to allocate their limited attention and resources towards building their own competitive reputation advantage to pursue above average profits (Barnett, 2006b). When individual firms experience idiosyncratic threats, such as being singled out for targeting by activists (Hendry, 2006), or when they identify opportunities from products or processes to differentiate them from others in the industry (Barnett, 2002, 2006b; King *et al.*, 2002), they are motivated to act individually, sometimes in a way that competes with the collective reputation management of their industry. Industry culture and fiercely competitive individual firm strategies may further 'hamper a united collective front by an industry' (Aldrich and Fiol, 1994: 654).

We conclude that the literature to date offers important insights into rational economic factors that can work against, or lead to, the emergence of collective reputation management, often in response to a crisis or triggering event. Research has identified motives for and against collective reputation management, offering theoretical propositions for the onset and decline of collective reputation management efforts (Barnett, 2006b).

Empirical studies can assist in the process of furthering theory on the tension and interplay between collective and competitive reputation management. Barnett (2006b) encourages further investigation of the specific characteristics and situational variables prompting one or the other type of reputation management, of the specific interactions between different types of legitimacy crises and firm or industry response, and of insights into which firms might act as 'institutional change leaders' (p. 288) and why. We concur

with Barnett's call for a better understanding of the micro-drivers underlying the macro-events of collective versus competitive reputation strategies, and agree that empirical research is needed. Lending further relevance to this topic area are the increasingly sophisticated and damaging effects of stakeholder activism on the operations, performance and even survival of individual firms and entire industries (eg Zietsma and Winn, 2008).

Specifically, we are interested in the fine-grained dynamics underlying firms' choices between collective and competitive reputation management strategies, particularly as they switch from one strategy to the other. The limited, and primarily conceptual, research on how firms select between competitive and collective reputation management strategies (Barnett, 2006a,b; King *et al.*, 2002) provides few answers. It further assumes rational cost-benefit calculations by firms in their choices of collective versus competitive strategies, with limited attention to the role of socio-cultural factors. Higher levels of connectedness and interaction within an industry have been found to promote collective action (Mahon and McGowan, 1996), but we know little about their effect on collective reputation management. Thus, our study was guided by this research question: *Over time, what are the factors that guide a firm's choice to engage in either competitive or collective reputation management strategies, and to switch from one to the other?*

METHODS

Qualitative studies of reputation management over time may provide further insights into how and why members of an industry choose collective over competitive strategies or vice versa, as they strive to retain or restore legitimacy under sustained attacks and criticism. We used an inductive approach for this theory building study, analyzing the collective reputation management strategies of the forestry and salmon farming industries

in BC over more than two decades. This context was characterized by prolonged and repeated challenges to the reputation of individual firms and to the legitimacy of the industry as a whole. Our longitudinal, qualitative approach is appropriate for research into the dynamic processes (Aldrich and Fiol, 1994) and causality (Miles and Huberman, 1994) called for by our research question. It is also sensitive to historical context (Pettigrew, 1985), which allows insights into dynamics at macro- and micro-levels, and can thus enhance validity (Jick, 1979).

The study's extended time-frame and occurrence of multiple reputation management occasions generated rich primary and secondary data. The industries differed along several dimensions, yet were sufficiently similar to permit comparative analysis: both were resource-based, sold relatively undifferentiated products in international markets, and were subject to extensive government regulation; they differed in stage of the industry lifecycle and degree of institutionalization of practices. Forestry in BC was a century-old, mature industry with entrenched practices, stable relationships, and well established and accepted regulations. It was respected as a major contributor to the province's economy. In contrast, salmon farming suffered liabilities of newness (Stinchcombe, 1965) as an emerging industry: it lacked firmly established practices and a stable regulatory environment, featured aggressive positioning efforts and rivalry by individual firms, and had suffered continuous challenges to its reputation from its inception.

Data Collection and Analysis

The regional significance and intense public controversy associated with both industries allowed us to access extensive media coverage, written accounts by the industry, its critics and observers, and provided fine-grained primary data from interviewees'

vivid recollections. Data sources included archival data, consisting of company and stakeholder documents and websites, public speeches, press releases, and 6,000 newspaper articles on forestry (5,000) and salmon farming (1,000) from 1985 to 2006; field research; and 86 semi-structured interviews, averaging 90 min in length, including company or association executives/managers (61), government officials (six), environmentalists and First Nations² representatives (13), community leaders (four) and academics (two). Interviews in the forestry industry were conducted between 1996 and 2004 and in the salmon farming industry between 2005 and 2006. Data for forestry were collected for an earlier study; the (ongoing) controversy over salmon farming is the subject of a more recent study. The extensive parallels in legitimacy challenges and resulting reputation management efforts prompted us to conduct the comparative study on which this paper is based. While media reports and other archival documents for the two studies were examined for similar date ranges, the dates of interviews in the studies differ for an important reason. Empirically, the conflict in the forest industry achieved widespread public attention earlier than did the conflict in the salmon farming industry, and as a result, forest companies experienced more negative consequences earlier than did salmon farming firms. Collective reputation management emerged in both industries, but took a dominant role earlier in the forest industry. Competitive reputation management, which deviated from industry norms, also emerged in both industries, but did so in 1998 in forestry and in 2003 in the salmon farming industry.

We used analytic induction (Manning, 1982) for our data analysis, iterating between data and existing theory. Utilizing QSR NVivo software for qualitative data analysis, we identified 'occasions' of collective and competitive reputation management, and transitions between them, then analyzed

these for underlying motives and resulting effects for each case and across cases.

Specifically, we classified data from media accounts into detailed chronological event and response lists, comprising over 50 pages for forestry and 37 pages for salmon farming, identifying collective and competitive company reputation management activities. These lists were refined by reviewing interview transcripts and documents to ensure the accuracy of stated facts, add events and activities not reported by the media, and validate our initial interpretations of various actions and events using the perceptions of field members. We then systematically tied together events and responses, termed 'reputation management occasions,' and their interpretations by various actors in chronological narratives for each industry.

Finally, we conducted a cross-case analysis of significant reputation management occasions in both industries, categorizing collective and competitive responses by similarity, reviewing emerging strategies multiple times and fine-tuning our categories into increasingly abstract and distinct themes using an inductive approach.

Empirical Contexts

In both industries, collective reputation management efforts emerged in response to persistent and escalating criticism of the industry's impact on the environment. Both woods and waterways were (and are) politicized natural resources on the coast of BC because of their impacts on a host of social and environmental phenomena, including the habitat of wild salmon and other flora and fauna (both industries), global warming (forestry), human health (salmon) and others. Both industries depended significantly on public acceptance, the 'social license to operate' that would give them access to forests and marine sites for supplies and operations, and to domestic and international markets to sell their products.

REPUTATION MANAGEMENT STRATEGIES IN TWO INDUSTRIES UNDER FIRE

Following a brief industry history, we chronicle the incidents of competitive and collective reputation management strategies for each industry. We pay special attention to the factors leading to the uses of, and transitions between, competitive and collective strategies.

Forest Industry

As the largest industry in BC, forestry had enjoyed a long period of stability. In the early 1980s, environmental groups and First Nations groups began to criticize the industry and the provincial government³ for what they viewed as the unsustainable clearcut⁴ logging of old growth temperate rainforests. Initially, forest companies ignored the criticisms, and had protesters arrested, but by the late 1980s, environmentalist and First Nations allies had won some key victories: several forest areas had been protected as parks, and public support for the allies was strong. Public trust in the forest companies had slipped to alarmingly low levels, according to polls. As environmentalist and First Nations campaigns escalated and internationalized, forest companies initiated reputation management strategies both individually and collectively.

The industry bands together: Emergence of collective reputation management

Recognizing the need to collectively counter being targeted by environmentalists and First Nations, forest companies commenced a \$1m television, radio and newspaper ad campaign through their existing industry association, the Council of Forest Industries. They then created and jointly funded a second industry association, the Forest Alliance of BC, to initiate and manage public relations campaigns. The alliance promoted the industry's forest stewardship, appealed to small businesses and communities for support, argued that many jobs would be lost if the

industry were curtailed, and forcefully denounced industry critics:

To suggest that someone off the street has more credibility on forestry matters than professionals seems preposterous... Balance and perspective have been lost in the feeding frenzy of environmentalism. (Forestry Executive, cited by Stanbury, 1994: 17)

Forest companies also funded chapters of Share BC, a 'grass roots' movement of forest workers and others dependent on, or supportive of, the industry. Its members protested and counter-blockaded the environmentalists, and were implicated in incidents of harassment, vandalism and threats to environmentalists. While large forestry firms avoided illegitimate actions to preserve their reputation, Share BC members engaged in activities considered by many to be illegitimate, such as blockading environmentalists and vandalizing their camps, causing their actions to become less acceptable over time.

Individual forest companies also complemented collective efforts with their own. MacMillan Bloedel (MB), for example, as the largest and oldest forest company in BC, was the chief target of environmental pressures. The firm initiated print and television ads to correct environmentalist 'myths', described the company's commitment to 'forestry as a growth industry' (MacMillan Bloedel, 1988) and pointed to the job losses associated with forest preservation (eg Watt, 1990).

Despite its considerable efforts and resources, the industry was unsuccessful in restoring its legitimacy with the public. 'People simply don't believe the forest companies any more' declared Watt (1990), a journalist. In addition, environmentalists and First Nations escalated their campaigns in the early 1990s, targeting international customers of the forest companies. The Forest Alliance tried to counteract these campaigns in

Europe, but customers were upset. One called MB's Vice President, Environment, to ask if she was 'dialoguing with the people up there because, sweetie, if you're not, that's probably the reason I'm having to do it for you' (Bramham, 1994: 1). Then in 1993, over 700 protesters were arrested in Clayoquot Sound, where MB was attempting to log. The Clayoquot protests were the largest act of civil disobedience in BC history, and they attracted international media attention.

Cracks in the collective armor: The leading firm breaks away

As the largest firm and the main target of environmental campaigns, MB was particularly hard hit with lost wood supply due to parks creation, pressure from customers and disruptions of its business operations by protesters. The first to depart from the collective industry reputation strategy, MB stood out among 'equals' in several ways:

I think we began to deviate from the rest of the industry very much because of Clayoquot. We were all on the same page going into Clayoquot, but coming out, I think MB's values, perspectives, how we define the issues, how we started to see ourselves as an organization and company just started to change quite profoundly. And when we would talk to our industry colleagues about it, it seems their response was 'After you – you guys keep fighting a good fight, we will be right there'. But there was the view that MB would fight these bouts for the industry. And no one has been targeted like MB has been targeted. We had boycotts, we had campaigns, we had demonstrations – and everybody else was going on with their lives... We felt very much then on our own, alienated from the mainstream opinion within the industry. (Interview, MB Senior Manager, 1999)

Still in the eye of the storm, with no improvement in sight, two senior MB



managers began secret talks with First Nations and environmentalists in the summer of 1994. MB subsequently agreed to create an eco-sustainable forestry joint venture with the First Nations in Clayoquot Sound in 1997 and Greenpeace agreed to help market the wood. Managers said:

When I go and talk to my colleagues at Canfor and Interfor and explain some of the things we want to do and why, they look at me like I'm from another side of the moon. And I am as far as they are concerned ... regarding some of the things we would be prepared to do regarding relations with interest groups. (Interview, MB Senior Manager, 1996)

In 1998, MB announced it was phasing out clearcut logging. Environmental groups cheered, but – not surprisingly – other members of the industry did not. CEO Tom Stephens said:

I was totally prepared to be ostracized by my fellow CEOs. It was counter to the methodology of the industry, and particularly here in Canada and in B.C., the industry is supposed to operate in unison. You get in trouble with your peers if you break out of the pack... We were a company that people love to hate, the figurehead of the bad company. So we were going to be in the news one way or another – that was never really a choice. It's just, what way you are going to be in the news? (Interview, MB CEO, 1999)

The Forest Alliance, established to conduct the collective reputation management strategy for the industry, was particularly critical of MB's move.

I remember talking to [the head of the Forest Alliance] about this after the forest project. He said, "The rumor is, you just made a deal with Greenpeace. If you work this out this way, it's a back room thing. It's really terrible; it's anti-democratic. (Interview, MB Senior Manager, 1999)

The Forest Alliance continued to attack environmentalists and defend clear cutting. MB dropped its membership, and in time, the Forest Alliance folded.

Innovation toward legitimization: Firms and their critics collaborate

The success of MB's competitive reputation management strategy was short-lived. Within six months, environmentalists resumed campaigns against the entire BC industry, including MB, refocusing attention and resources on collective action, albeit not at the level of the entire industry. In a major departure from earlier collective strategies, however, MB and five other leading forest companies initiated discussion with several environmental groups in 1999 and formed the Joint Solutions Initiative, a group jointly seeking solutions to the BC conflict through research and negotiation. This effort by a sub-group of industry members to work with their critics toward new, acceptable ways of doing business was further supported in 2000: as part of a stakeholder land and resource management planning process the government formed a committee that included First Nations, communities, forestry, environmentalists and other affected industries like tourism, mining and recreation. Contributing the results of its own research to the process, the Joint Solutions Initiative recommended an ecosystem-based management approach. By 2004, all stakeholders involved reached a consensus agreement on the use of ecosystem-based management to determine where and how to harvest forests. The agreement was endorsed by the government in 2006. It was subsequently adopted in regulations that applied to all forest companies.

Salmon Farming

A newcomer to BC in the 1970s, the industry struggled to become established, described by some as a poorly defined experiment in a poorly understood coastal

environment. Initial sites were disbanded after disastrous algae blooms and fish farms moved to better flushed waters along Vancouver Island. Norwegian companies entered the BC market in the mid-80s, buying and consolidating small operations. Around that time, public concern prompted a moratorium on new licenses in 1986 that was lifted after conclusion of an inquiry in 1987. Initially, the industry's most vocal opponent was the commercial fishing industry through its labor union, which was joined later by environmentalists and First Nations. Criticism was aimed at the open-net salmon farming industry⁵ and the provincial government⁶ for the industry's many negative impacts on the marine environment.

The industry responded to its critics collectively through the BC Salmon Farmers Association (BCSFA). As opposition gained profile during the 1990s, the industry's reputation deteriorated rapidly prompting another government moratorium, multiple industry reviews, ever more negative media coverage and increasingly sophisticated targeting by environmental groups. The activities of BCSFA intensified. Eventually faced with a boycott in its international markets, stricter environmental enforcement and blame for an ecological calamity, the industry expanded its arsenal of reputation management activities, while also consolidating into a small number of mostly foreign-owned multinationals.

An uneasy collective: Fierce rivals band together

Subject to controversy since its beginnings, the industry also struggled with operational challenges and intense competition. Since its formation in the 1980s, the BCSFA handled publicity campaigns in defense of salmon farming. By the mid-1990s, when the industry was otherwise established, criticism escalated to a major legitimacy crisis that

threatened the future of the industry. Public concern about the industry's impact on the environment peaked, and the government placed a moratorium on new farm licenses, pending further study. The industry's reputation continued to deteriorate, despite a positive environmental assessment in 1997. Environmental groups escalated their attacks on the industry as a whole and on its larger companies, Stolt Sea Farms (Stolt), Marine Harvest (MH), Pan Fish and Cermaq. Using the forestry industry as a model, a coalition of First Nations and environmental groups organized a boycott in the industry's major export market; the government charged Pan Fish and Cermaq for multiple environmental violations; and an independent research body attributed the collapse of the pink salmon run in the Broughton Archipelago to sea lice from adjacent salmon farms operated primarily by Stolt. When the moratorium was lifted in 2002, the industry's reputation plummeted to a new low.

It was then that salmon farming companies reorganized and revitalized their struggling industry association, the BCSFA, hoping to utilize it to develop and maintain a united industry front 'despite the fierce competition between members' (Interview I13, 2006). Early in 2003, the BCSFA hired Hill and Knowlton, an international public relations firm known for helping organizations such as The Tobacco Institute and Exxon recover from public relations disasters 'to revamp the way it presents itself to the public' (Penner, 2003: 1). Subsequently, the industry actively promoted its economic contributions to BC, drew attention to the industry's code of conduct, appealed to coastal and rural communities for support and defended itself specifically against accusations that salmon farms caused wild salmon depletion. We note a change in tone by the industry, from what we categorized as resistant in its focus on dismissing critics and challenging them directly, to becoming more responsive to criticisms.

Comments by BCSFA's Executive Director are illustrative:

We are determined not to let the controversy slide into the polarized trench warfare that characterized the province's forestry debate...salmon farms and environmentalists are here to stay, which means that both sides, if they are motivated by genuine concern will have to grope their way toward...middle ground where policy can be forged from consensus. (Hume, 2003: 1) There is a lack of data to draw conclusions about why the (pink salmon) stocks collapsed. The association has not ruled out sea lice as a contributing factor, but companies believe a series of unusual events led to the decline. (Read, 2002a: 5)

In a second development, and soon after BCSFA had hired the public relations firm, the Society for Positive Aquaculture Awareness (PAA) was transformed from an employee community outreach group into more of an activist group. Adopting tactics of the environmentalists, they 'protested the protesters' and emotionally challenged their tactics, such as accusing one environmental group of 'harassment and bullying' and of showing 'a lack of integrity and concern for the general public' (Vancouver Sun, 2003: 4). As PAA activities became more marginal over time, they also became less acceptable. The industry, meanwhile, showed increasing responsiveness to its critics. Reputation management strategies by individual firms were – initially – aligned with, and complemented, the industry-wide approach, particularly regarding the sea lice controversy. The largest fish farming company in BC, Stolt, for example, publicly supported the industry's position (eg 'the science is by no means conclusive' (Read, 2002b: 1)).

Breaking industry ranks: Engaging with the enemy

MH had been leading the industry in responsive reputation management, but

began to set a new standard, when in 2002 it differentiated itself from the industry and actively positioned itself as 'socially responsible.' While continuing to support collective reputation management efforts, the company also acknowledged that 'the industry was responsible for environmental problems in the past...but Marine Harvest works very diligently to assure that mistakes are not repeated' (Rose, 2002: 1). The company publicized the extent of its investment in BC, particularly a pilot closed-containment farm, and its successful partnerships with several First Nations. With full support of the BCSFA, MH initiated collaboration with the Monterey Bay Aquarium and a large US environmental group in 2004 to develop standards for farming salmon. MH's strategy in BC was consistent with the environmentally and socially responsible reputation that its Dutch parent, Nutreco, cultivated globally since 2000.

The industry's collective reputation management efforts, meanwhile, appeared to have little impact, particularly on the sea lice controversy. At the end of 2003, a government official deplored 'the deteriorating public image of BC's troubled aquaculture industry... causing many British Columbians to become concerned and apprehensive about salmon aquaculture, its products and practices' (Simpson, 2003: 1). In January 2004, all major US and Canadian media reported that farmed salmon may contain dangerous levels of polychlorinated biphenyls (PCBs), a highly toxic substance, based on a peer-reviewed academic study. Sales of BC farmed salmon decreased by almost 25 percent during the first six months of 2004.

It was in this context that three senior Stolt managers initiated private talks with members of a coalition of environmentalists and First Nations in the spring of 2004, primarily to address the persistent sea lice controversy. As the main operator of salmon farms in the area, Stolt was most vulnerable to business disruptions if government

regulations changed and so was motivated to create an environment in which appropriate research could be conducted before sea lice policy was articulated. A manager described the intent of the talks:

So let's learn together, let's share information, let's be as transparent as we can be within the context of business and let's let the science complete its work so that we're basing any policy decision on good solid science. (Interview I16, 2006)

Stolt began posting sea lice and water quality data on its company website later in 2004, seeing it as an opportunity to 'demonstrate we are serious about our commitment to having sustainable salmon farm operations' (Simpson, 2004: 3).

Broken ranks, changing members, continued controversy

Negotiations continued, even as Stolt was acquired by MH in 2005. An agreement was announced in January 2006. Entitled 'The Framework for Dialogue', the agreement gave the coalition of environmentalists access to previously confidential data and allowed independent researchers access to MH's farms for new studies on sea lice. MH also agreed to participate in an economic study of closed-containment systems. Managers said:

It's about intention to replace some of the rhetoric with actual fact, it's about industry doing some positive change and on the other side, the environmental groups also changing the way they talk about industry and agreeing that there can be some other end points beside wholesale removal of the industry from BC. (Interview I16, 2006)

While government and environmentalists saw the agreement as a real breakthrough, other industry leaders were less enthused. One senior manager said:

Marine Harvest [following Stolt's acquisition] signed an agreement and they didn't even consult with the rest of us on the

type of impact that it would have; the collateral damage that it would have against the industry. They just went off and did their own thing. (Interview I15, 2006)

The industry's collective reputation management continued to focus on economic contribution and economic potential. The BCSEA, while not publicly commenting on the agreement, tended to view it as a resolution to a specific issue:

... we feel like we've sort of moved through the other end of it. ... We've done all this collaboration. We've now pulled some of those researchers that were on the outside looking in into the inside through a partnership with one of the companies who is farming in that area. (Interview I13, 2006)

Major changes in industry structure continued. Pan Fish acquired MH in February 2006 and later publicly declared its support of the agreement. In April 2006, Grieg Seafood was granted a new farm license in the Broughton Archipelago and voluntarily agreed 'to conform with Marine Harvest's ... plans' (Simpson, 2006: 3). Government regulators enthusiastically endorsed Grieg's announcement. Grieg's adoption of MH's new practices was yet another indication that salmon farming firms were becoming considerably more responsive in their reputation management strategies. In contrast, reputation management efforts conducted by the BCSEA on behalf of the industry were considerably less responsive than those of the few remaining larger firms.

By early 2007, the legitimacy of the industry as a whole remained contested and the fate of the industry was far from settled. According to media headlines, the release of the report and recommendations by the government-appointed Sustainable Aquaculture Committee in May 2007 was expected to fan renewed hostilities between salmon farmers, environmental groups and different

governmental factions. Implications for possible changes in operating practices (such as moving away from open-net, and toward ‘closed-containment’ farming), as well as for the future acceptance of the industry, remained uncertain.

DISCUSSION

The reputation management histories of these two highly controversial industries reveal some important similarities. Early on, firms overcame their rivalry and mobilized collective resources to fund trade associations for the purpose of handling reputation management on behalf of the industry. As their respective legitimacy crises deepened, individual firms broke off to search for more effective reputation management strategies for themselves and for the industry. There were also differences in the trajectories of each industry’s battle for acceptance; actors – jointly, separately and in shifting aggregations – experimented with alternative reputation management strategies that were neither purely collective, nor purely competitive. We discuss our findings in six sections. We first examine changing industry

norms in light of the overall patterns of collective and competitive reputation management strategies, then discuss five clusters of specific findings in light of their theoretical implications.

The Effect of Persistent Legitimacy Crises on Industry Norms

Figure 1 summarizes how industry-wide practices evolved and changed under prolonged legitimacy crises. Despite considerable differences between the industries studied, the patterns of changing norms for industry reputation management converge considerably; future research will need to determine whether these findings can be generalized more broadly.

Bounded by a thin dotted line, the large arrow running through the diagram indicates the varying range of acceptable behaviors within the industry. Before being subjected to challenges, industry members largely used taken for granted ‘best practices’ (as indicated by the arrow’s narrow width at that point). With rising challenges, collective resistant reputation management strategies emerged, which involved industry associations

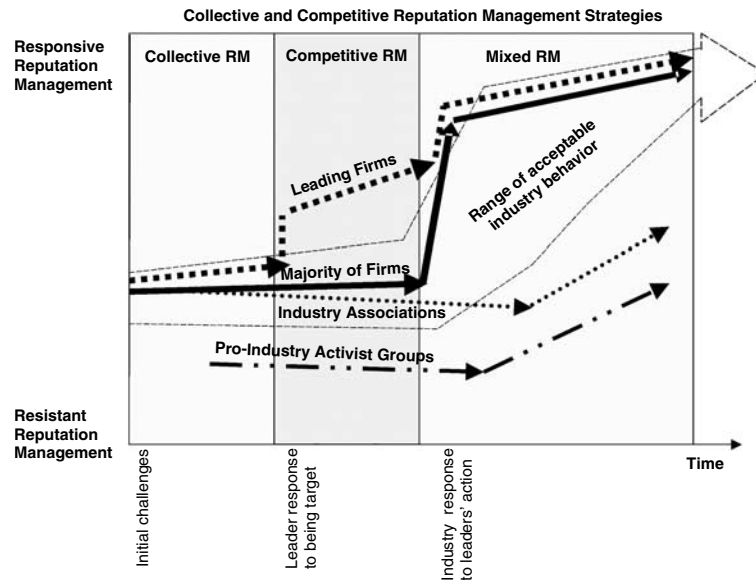


Figure 1: Collective and competitive reputation management strategies

and pro-industry activist groups (the latter of which operated outside industry norms). These strategies were largely ineffective, and continued pressures then were targeted idiosyncratically at the leading firm in each industry (as tends to be the case in activist campaigns; see Hendry, 2006). The leading firm, facing its own performance and/or legitimacy crisis, then shifted to a competitive and more responsive reputation management strategy. As a first step, and blatantly outside of industry norms, the leading firms engaged with stakeholders.

Despite some divergence between the two industries at this stage, the evolution of industry practices led to similar results. In the forest industry, the leading firm experienced success, but was subsequently re-targeted as part of the industry: activists recreated the conditions for a reputation commons. In response, mixed reputation management strategies emerged. In the forest industry, the leading firm and a sub-group of other firms together undertook even more responsive strategies; overall industry norms subsequently adapted to the new best practices negotiated by this sub-group. In the salmon farming industry, the conditions for a reputation commons did not initially re-emerge, even though other firms were held accountable to the leading firm's new practices. A wave of mergers effectively established a much more concentrated industry, and with it, a reputation commons.

In both industries, industry associations maintained their resistant reputation management strategies longer than individual firms, even after industry norms had begun to shift to more responsive strategies. In the forest industry, this led to the disbanding of the Forest Alliance. In the salmon farming industry, the industry association remained resistant, despite signs of softening its position.

Overall, we note three developments. First, the range of acceptable industry practices widened during high conflict stages;

then narrowed again as solutions became accepted and diffused. Secondly, reputation management strategies shifted from resistant to more responsive, indicating organizational learning and capacity building. Thirdly, as leading firms responded to focused targeting by activists, they effectively drove the variance in industry practices by switching between collective and competitive reputation management strategies.

First Response Team: Trade Associations and Related Organizations

Many management scholars have highlighted the role of trade associations as an efficient vehicle to organize collective mobilization and conduct industry reputation management in response to legitimacy challenges (eg King and Lenox, 2000; Hoffman, 1999; Oliver, 1990; Scott, 1995). Effective responses to such challenges are important, since they can trigger the 'retraction of support [that] can exacerbate performance failures simply by disrupting critical resource flows' (Suchman, 1995: 597). Barnett's review of the literature on structures for coordinating collective strategy leads him to conclude that 'trade associations provide the primary legal means of intentional coordination of industry-wide efforts' (Barnett, 2006b: 1756).

Our findings suggest a more complicated picture. We conclude that, in the case of protracted legitimacy crises, trade associations are likely to be the 'first', but not necessarily the 'primary' means for an industry to repair its legitimacy. And while they may be 'critical to recovery from crises that face entire industries' (Barnett, 2006a: 1756), they can also become counterproductive leading to losses of legitimacy through their actions or because their self-promotion efforts are seen as delegitimizing (Suchman, 1995). Future research must examine their role more carefully: while trade associations may be effective in realigning industry and environmental pressures in some cases

(eg the chemical industry), and while they appear to be the default option as an efficient vehicle for competing firms to mobilize a collective reputation management strategy, their effectiveness is limited and they may even work against their initial purpose.

Other reputation management organizations

In addition to trade organizations, both industries utilized supportive activist groups, comprised of individuals economically dependent on the industries, to promote industry agendas. Operating at arms length from the companies, although closely linked through funding or personal relationships, these groups more actively dismissed and discredited industry critics. Similar to social movements that mobilize support for their cause through controversial forms of advocacy (Lawrence and Suddaby, 2006), and perceived as members of the public, the often emotional challenges of critics mounted by these groups added credibility and political clout to the industry. Having different reputation concerns than firms, they were able to place highly critical and inflammatory statements into the public discourse without creating legal or reputational problems for industry members. While not necessarily violating social norms (although illegal protests, and harassment and vandalism allegations suggest that social norms were violated), they did violate industry norms by using emotional framing and coercive tactics, particularly in the case of Share BC. Industry norms included the use of professional and objective language by firms in public communications and avoidance of physical confrontations; Share BC members, on the other hand, were not constrained by these norms. Delegating the challenging of industry critics to these 'critics of the critics' freed firms in both industries to engage in more positive advocacy. This finding indicates that an industry can delegate activism (via funding or tacit support), while distancing itself

from potentially damaging, but useful, confrontational approaches to collective reputation management. Thus, apart from trade associations, our study identifies a second structure for collective reputation management, one that provides more freedom of movement for individual industry members to conduct norm-violating actions without negatively affecting the reputations of other industry members. Elsbach and Sutton (1992) found a similar division of labor among activist groups: radical activist organizations could break laws by bombing buildings, for example. More moderate groups could distance themselves from the illegal activity, but use the existence of such activity to further their cause.

From Resistance to Innovation

Not surprisingly, the initial legitimacy repair strategies chosen by industry associations and individual firms were essentially campaigns of resistance (Oliver, 1991) and reactive in nature (Suchman, 1995). Among efforts to compromise, avoid, defy and manipulate as Oliver's typology suggests, the rich arsenal of strategies used included denying problems, dismissing the validity of complaints against the industry and discrediting critics. These strategies proved to be unsuccessful in repairing the industry's reputation, as we saw earlier. Instead, the situation worsened and what started as challenges to both industries' practices deepened into major legitimacy crises. Still, industry efforts to resist became more deeply entrenched, led primarily by industry associations formed for the purpose of industry-level reputation management.

In later stages, we see a marked shift in strategy by those leading firms that had been singled out for targeting: they moved from resisting pressures for change to actively searching for substantive changes to industry practices. It was the two largest companies in each industry that broke ranks and deviated from their industry's unsuccessful

collective reputation management strategies, supporting Barnett's proposition of a link to market share (2006b). MB deviated from the collective by publicly abandoning clear cutting and engaging with environmentalists; MH/Stolt did so by collaborating with the industry's most strident critics. The pressure to conform to each industry's collective stance had weakened due to the failure of collective reputation management strategies and the urgency of restoring these leading firms' competitive positions in the marketplace. Not surprisingly, other industry members reacted negatively, while the stakeholders that had originally created the pressures for change in industry practice reacted positively.

Through engaging with industry critics and their concerns, these progressive firms explored and introduced new industry practices. In the case of forestry, a modified version of MB's approach was subsequently adopted at the industry level, and the industry association was disbanded, following intense efforts to find agreement; competitive and collective reputation management strategies were re-aligned along the path taken by the formerly deviant firm. In the case of salmon farming, a number of firms individually adopted the more responsive approach of the deviant firm, but not all; BCSFA did soften its position, but did not fully align itself with the more progressive reputation strategies of its individual members. Industry associations in both industries thus resisted change initiated by firms in the industry.

Our study thus sheds light on the importance of stakeholder engagement both for reputation management and for the development of substantive changes in practices. The alliance between firms and their critics in both industries led to joint learning processes, experimentation and the development of innovative practices supporting legitimation of the industry. While others have noted the importance of engaging fringe

stakeholders for competitive innovation (Hart and Sharma, 2004), we note that such engagement can be seen as a reputation management strategy both because it enables better relationships and because, through learning and experimentation, more legitimate practices can be identified. Where industry and firm survival is at stake, such learning and experimentation can dislodge ingrained resistant reputation management practices and allow industry members to revisit and develop more innovative industry practices.

Sub-Collective Strategies for the Common Good

While the innovations of the leading firms in both industries prompted positive responses by critical stakeholders, in both cases, they failed to fully respond to the criticism of the industry. The innovative practices introduced by MB and MH/Stolt served to lessen the criticism on these companies for a time, while increasing the pressure on their competitors. Since each innovation, however, was targeted to one criticism among many, inevitably, both firms were subject to further targeting. In the forest industry, MB worked toward bringing other industry members on board, in part because all BC coastal industry members were now being targeted as a group. In the salmon farming industry, we found MH/Stolt's leadership role in BC to be less pronounced.⁷ The firm did not actively attempt to bring other industry members on board, but other members of the industry appeared to adopt more conciliatory approaches because of the precedent that MH/Stolt had set with stakeholders. In May of 2007, salmon farming continued to be highly controversial and it remained to be seen whether or not firms would unite to deal with pressures to adopt closed containment as called for in a recently released BC government report.

In the forest industry, subsets of firms formed ‘networks of collective assistance,’ utilizing these ‘as vehicles of collective action and adaptation’ (Scott, 1992: 219). In salmon farming, MH and Stolt began to move as a collective before Stolt acquired MH, and more recent industry consolidation appears to have a similar effect. The question is whether such (sub)-collective strategies serve to manage ‘the communal adaptation of entire industries’ (Barnett, 2006a: 1755). According to Astley and Fombrun’s definition, such ‘joint mobilization of resources and formulation of action within collectives of organizations’ (1983: 578) constitutes a collective strategy, albeit at a level between industry and firm. If we further consider the willingness to change industry practices toward greater acceptability, we can identify this strategy as a case of communal adaptation, although, again, at the sub-industry level.

Reputation management approaches in both industries thus effectively prompted searches for technological and managerial innovations, generating greater heterogeneity in industry practices. This did not, however, necessarily lessen the problem of the reputation commons, as King *et al.* had suggested (2002), since activists found it effective to shift their targeting to the whole industry when leaders improved their practices. Competitive benefits may still arise to individual, or to groups of, innovating firms, if they can benefit from newly built internal capabilities that permit subsequent differentiation from laggard firms. Furthermore, by leading in the area of innovations to pacify critical stakeholders, firms can set the agenda in a way which favors their own competitive position, and rely on activists to hold others accountable for accepted innovations.

The ‘merits of aggregating firms into “industries” or “strategic groups”’, and the ‘nature of strategic groups as intermediate level of aggregation between the firm and

the industry’ (Porac *et al.*, 1989: 413) have been the subject of a significant body of work in the strategy literature. A key finding in the context of this study is that perceived risks to the survival of an individual firm in the face of a legitimacy crisis can prompt that firm to become decoupled from the survival of the industry as a whole. We have seen how this generates experimentation with divergent reputation management strategies, including sub-industry level innovation and group formation in the service of both competitive and collective industry reputation.

From Competitive to Collective Reputation Management

The idea that ‘dual isomorphic and differentiating pressures create a competitive ‘cusp’ upon which the strategist must balance plans’ (Porac *et al.*, 1989: 414) captures an essential tension for firms seeking both legitimacy and competitive advantage. As Barnett (2006a) pointed out, the primacy of competitive pressures is overcome when rivals are unified by a legitimacy challenge that threatens their access to resources, and thus their survival as a collective.

Our study indicates that an industry-wide legitimacy crisis, despite inherent threats to industry survival, does not necessarily prompt unification into communal strategies. An alternative path out of the crisis (barring exit) is, for individual firms or groups of likeminded firms, to search for ways to redefine the industry’s relationship with its resource-endowing broader social, economic and natural environment. Resulting innovations may change how business is done and how it is perceived by stakeholders. Examples are: by reevaluating both resources required and technologies in place, firms may generate technical innovations that change specific resource dependencies (eg via closed-containment fish pens); or firms may renegotiate the terms of access to those resources to bear a fuller environmental or

social cost (eg via an ecosystem-based forest management approach), if they are able to pass higher costs on to customers, reduce profit margins or offset them through efficiencies elsewhere.

Innovations, whether managerial, technical, or perceptual, may originate from multiple sources. Closer interaction with the very critics fuelling the legitimacy challenge may generate new ideas and prompt learning (Zietsma *et al.*, 2002; Hart and Sharma, 2004). One difficult strategic decision for firms revolves around whether substantive innovation is needed, or whether a public relations campaign is sufficient to prevent critical voices from taking hold in broad public perception and government policies. A second question is whether innovation is needed at the industry-level or whether it can be generated by individual or sub-groups of firms. Our study indicates that when resistant and symbolic reputation management options are exhausted, breaking away from the collective is useful as long as it results in critics perceiving the firm or sub-group as 'new and improved.'

Improving the reputation of only some firms in the industry can partition industry reputation and threats to its survival – at least temporarily. Laggards then face the choice of continuing their public relations fight, folding or innovating with the leaders. Alternatively, leading companies may have incentives to bring the rest of the industry up to the new standard. In our study, deviant strategies by high-status firms in both industries led to increased demands by stakeholders for all firms in the industry to meet the new 'standard,' increasing demands on firm resources and managerial attention. This motivated firms to re-engage in collective reputation management strategies to change the way in which each industry interacted with its critics, providing yet another example of '[c]ooperation to better the position of an entire industry, not just to gain advantage for a single firm or group of firms

within it' (Barnett, 2006b: 1755). It was in the interest of firms to define a new steady state of 'normal' business practices and reach agreement on what defined legitimate practices in the industry, so that they could return to improving efficiencies and developing optimal market strategies for maximum value generation.

We conclude that under the rather extreme conditions of an industry legitimacy crisis, the managerial challenge is focused less on competitive reputation management strategies, and more on the task of collectively creating new arrangements that will satisfy external stakeholders in order to reduce stakeholder-generated turbulence and uncertainties.

Fighting Turbulence or Adapting to New Environments

Abrahamson and Hegeman (1994) suggest that 'strategic conformity reduces both corporate risk and opportunities' (Deephouse, 1999: 147). This risk-reducing effect of conformity might well explain why the industries in our study (as well as those cited by Barnett, 2006b) opted to initially respond to stakeholders' legitimacy challenges via a collective, industry association-driven approach. In the face of persistent challenges, however, two developments occur: one is that the threats to the industry's legitimacy continue, indicating a failure of the earlier strategy; the other is that firms begin to diverge in their views of the situation as previously taken-for-granted beliefs erode in the context of the failed strategy. Competitive strategies resurface, as individual firms discover and utilize their differential strategic capabilities and learning capacities. It is at this point that the opportunity-reducing effect of the collective strategy becomes burdensome; breaking away from the collective strategy allows firms to pursue those opportunities.

Deephouse concludes in his theory of strategic balance that firms seeking competitive advantage should 'be as different as

legitimately possible' (1999: 148). We suggest that this is the case in stable and legitimated industries, such as the highly regulated banking industry in his study. Faced with the turbulence and uncertainty of a legitimacy crisis, however, our firms opted to instead 'maximize conformity as much as competitively viable.'

Mounting a collective strategy of resistance to critics may be rational as an attempt to both weather a storm and test the waters for the depth of contestation. Firms in this study only embarked on more responsive strategies when resistant strategies had failed. This, again, is rational, since formulating and implementing a new strategy is costly (Grönsnaug and Falkenberg, 1989: 350).

IMPLICATIONS FOR RESEARCH AND PRACTICE

This study highlights the dynamics of collective reputation management, including the interplay between firms and dedicated reputation management organizations, and between collective and competitive reputation management efforts. In addition, we detect the existence of reputation management strategies that are neither purely competitive, nor purely collective. The study highlights how individual firms and sub-industry collectives can break away from the resistant strategies of the collective, and instead experiment and innovate to repair industry and firm legitimacy. Their leadership sets the course for the new 'normal' in an industry.

Our study focused on the strategic and institutional implications of an industry-wide legitimacy crisis; it did not examine other industry competitive dynamics in depth. Future research needs to consider factors like industry structure and how the reputation management strategies of multinational companies affect regional collective strategies and vice versa. More work is also needed on the processes and mechanisms by

which organizations, firms and NGOs learn from the reputation management strategies of others.

We noted earlier that internal competitive rivalry tends to be viewed as the normal state in an industry, punctuated by collective strategies only under short-lived legitimacy challenges (eg Barnett, 2006b; Deephouse, 1999; Oliver, 1991; Porac *et al.*, 1989). Yet the predominant focus on temporary crises, forging only passing efforts at collaboration, may be worth revisiting. Underlying this focus is the assumption that industries operate in fundamentally stable social and natural environments, and that legitimacy challenges occur only until 'business-as-usual' conditions can be gained or regained. Yet there are many indications that industries are facing ever more turbulent environments in an increasingly interconnected world. As we saw in both salmon farming and forest industries, stakeholders in the broader social arena are exceedingly well equipped to not only raise legitimacy challenges, but also to maintain them at levels of sustained crises. Social movements are aided by internet access to global resources and fuelled by growing popular concerns about health and environment, climate change and pollution. What would be the impact on research in this area if persistent turbulence and instability was assumed to be the normal state? Would we see 'business-as-usual' shift toward collective strategies as the norm, even as intra-industry rivalry continues to shape firm strategy?

This study also has implications for practice. Clearly, collective reputation management cannot serve as a substitute for competitive company reputation management; in fact, an individual firm's idiosyncratic threats and opportunities may make strategies that deviate from the collective preferable, not only under protracted legitimacy threats. Trade organizations as mechanisms for collective reputation management may need close examination and perhaps

even closer supervision: while they can be a cost-effective vehicle, they also may get in the way of resolving a crisis. Short-term cost-benefit calculations may provide an incomplete and misleading basis for choosing collective and/or competitive reputation management strategies, when an entire industry's reputation comes under fire. Understanding which firms may be high visibility targets is important for both managers and activists, and it appears ill-advised to treat adversaries that have the potential to endure in a dismissive or superficial manner. While a firm needs to manage both industry dynamics and external challengers, serious engagement can smooth the process, lead to mutually acceptable (and lasting) outcomes, and – importantly – can be capacity building.

Stakeholder engagement is important in a world where terms like 'license to operate' or 'license to grow' indicate the seriousness of managers' concern about the power of social constituents to block their access to resources and markets. Concerns about environmental and social sustainability are bound to strengthen the power of critics to raise and sustain legitimacy challenges, enabling social constituents to participate in shaping industry practices.

This study examines two industries, tracing their turbulent histories of moving between competitive and collective strategies and inventing new, more substantive, types of reputation management strategies out of necessity. Shedding light on the dynamics of and motives for these strategies, we refine the literature on the inherent tension between collective and competitive reputation management and contribute to building theory in this area.

NOTES

1 A stakeholder is an individual or group that can affect or is affected by the firm (Freeman, 1984). While broad, this definition is useful for our study, which considers a wide range of external industry constituents.

- 2 First Nations groups are Canada's aboriginal peoples. There are over 100 independent or quasi-independent different First Nations groups in BC.
- 3 BC's provincial government, owning approximately 95 percent of the forest land, granted long-term licenses to companies to manage and harvest the forests, and regulated their forest practices.
- 4 Clear cutting refers to taking all of the trees from an area, in contrast to selective logging, in which some of the trees are left for wildlife habitat and wind and erosion protection. Old growth forests are shrinking globally.
- 5 Open-net farming consisted of placing juvenile salmon into large net cages in the ocean, feeding them for 18–24 months until they reached market weight, then harvesting and processing them. Environmentalists support growing salmon in closed containment systems.
- 6 The provincial government granted fish farming licenses and ocean tenures to companies.
- 7 This was the case in spite of the firm's international efforts. MH initiated the industry conference Aquavision, which in its 2004 conference focused significantly on sustainable aquaculture.

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