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► **To cite this version:**

Julien Jourdan. Institutional Specialization and Survival: Theory and Evidence From the French Film Industry. *Strategy Science*, 2018, 3 (2), 10.1287/stsc.2018.0058 . hal-01819590

HAL Id: hal-01819590

<https://hal.science/hal-01819590>

Submitted on 20 Jun 2018

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**INSTITUTIONAL SPECIALIZATION AND SURVIVAL:
THEORY AND EVIDENCE FROM THE FRENCH FILM INDUSTRY**

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Keywords: Corporate Strategy, Institutional Theory, Industry Dynamics

Forthcoming, *Strategy Science*
(accepted March 12, 2018)

Acknowledgments: I would like to thank Senior Editor Michael Lenox and two anonymous reviewers for their thoughtful comments on earlier versions of this manuscript. I am also grateful for feedback from Guilhem Bascle, Julie Battilana, Eva Boxenbaum, Tiziana Casciaro, Rodolphe Durand, Fabrizio Perretti, Dmitry Sharapov, Patricia H. Thornton, and the members of the Paris Organization Theory Research Group (POTREG). Earlier versions of this paper were presented at seminars held at Bocconi University, Imperial College London, and IESE Business School.

INSTITUTIONAL SPECIALIZATION AND SURVIVAL: THEORY AND EVIDENCE FROM THE FRENCH FILM INDUSTRY

ABSTRACT

Firms increasingly face fragmented institutional environments where stakeholders endorse different institutional logics. While the effects of market specialization have been extensively studied, we don't know much about the firm-level implications of institutional specialization, i.e. when firms demonstrate consistent conformity to an institutional logic. In this study, I explore whether and to what extent institutional specialization affects firm survival. In contrast with arguments and evidence highlighting the potential negative survival effect of market specialization, I posit that institutional specialization is positively associated with survival. Because they may be more skilled at interacting with stakeholders, which perceive them as more appealing and understandable, institutional specialists, I argue, are more likely than other firms to form and maintain the reciprocal stakeholder relationships needed to operate and survive. I expect the survival benefit of institutional specialization to be accentuated when the contrast between logics decreases. I test and find support for these ideas using unique population data on French film producers (1994-2008).

INTRODUCTION

While strategy research has long recognized that firms need to effectively manage the institutional context to achieve sustainable advantage (Oliver 1991, 1997), less attention has been devoted to another key finding of institutional studies: institutions are flickering, subject to both exogenous shocks and endogenous dynamics. What is expected from organizations at a point in time in a given industry is the result of temporary truces between various institutional logics: new pressures emerge and become taken-for-granted, while formerly accepted institutional logics become contested. Past research, for instance, documents how market institutional logics invaded entire industries, starting in the 1980s, gradually displacing previously dominant professional logics (e.g. Thornton and Ocasio 1999).

Because firms rely on third-parties for key resources, institutional shifts may pose serious threats, affecting how stakeholders evaluate firms and eventually decide to give (or withdraw) vital support. As logics gain and lose dominance, many firms face *fragmented* institutional contexts where uncoordinated organizations or referent audiences endorse different institutional logics (Greenwood et al. 2011)—a situation that may be the norm rather than the exception in many industries (Schneiberg 2007). The benefits firms derive in the eyes of their stakeholders from maintaining conformity to a once-dominant logic (e.g. legitimacy; Suddaby et al. 2017) may erode. Firms may be prompted to adapt and opt for some form of intermediate conformity (Bascle 2016), orchestrating stakeholders' demands associated with the various institutional logics of the industry (Deephouse 1999, Zhao et al. 2017). Alternatively, others may 'dig in their heels' and stick with a weakening logic, or rather fully embrace an emerging minority logic in the industry (Durand and Jourdan 2012). In such cases, organizations engage in a form of *institutional specialization*, i.e. they consistently demonstrate conformity to an institutional logic identified by their stakeholders.

In this paper, I explore whether and to what extent institutional specialization may affect a critical firm outcome: survival. While an established body of work shows that specialization in market tends to be associated with lower survival rates (Carroll and Hannan 1989, Dobrev et al. 2001, Freeman and Hannan 1983), mainly due to the unstable and unpredictable distribution of resources across market niches, the survival consequences of institutional specialization have been overlooked. I

argue that institutional specialization, contrary to market specialization, may involve survival advantages for firms in (institutionally) fragmented industries. A key argument is that specialized firms tend to be better evaluated by key stakeholders than generalists, who may suffer from a lack of attention (Zuckerman 1999) and be perceived as less skilled and appealing (Hsu 2006). Through higher stakeholder evaluation, institutional specialization may help firms establish and maintain reciprocal relationships with primary stakeholders (Harrison et al. 2010), and access the resources they need to survive. The effect may not be unconditional: when an industry experiences institutional shifts, the contrast between institutional logics may vary with stakeholder audiences. Building on the idea that stakeholders act as gatekeepers attempting to maintain the institutional order (Glynn and Lounsbury 2005), I posit that lower logic contrast enhances the relationship between institutional specialization and firm survival.

I test these ideas using empirical evidence on the entire population of firms involved in the production of French films between 1994 and 2008. In addition to the availability of population data, the setting is attractive in that firms' market specialization and institutional specialization can be clearly teased out. During the period under study, the industry experienced the rise of a market logic that challenged the historical dominance of a professional institutional logic, dating back to the 1920s and later theorized by the *Nouvelle Vague* movement of the 1950s and 1960s (Jourdan et al. 2017). Traditionally endorsed by key stakeholders, including the main industry funders (e.g., television companies, distributors, the national film board), the professional logic sees filmmaking primarily as a form of art and cultural expression, and disregards mainstream cinema for its profit orientation. As more and more resources were available to produce mainstream movies, producers faced the choice of specializing in the professional logic of filmmaking or specializing in the rising market logic, or rather alternating between the two largely adversarial logics.

I find evidence that producer firms specialized in one institutional logic (either the market logic or the professional logic) had higher chances to survive, independently of their level of market specialization. As the contrast between the two logics weakened at the industry level, the survival advantage of institutionally specialized firms grew larger, for both producers remaining faithful to the

weakening professional logic and those embracing the rising market logic. I conclude by discussing how this study contributes to the literatures on competitive advantage and institutional theory.

THEORY

Securing resources in fragmented institutional environments

I conceptualize firms as candidates operating under the constant scrutiny of an audience of primary stakeholders. The primary stakeholders of the firm ('stakeholders' in what follows) are the organizations controlling the resources the firm needs to compete and operate, and whose ongoing participation and support is required for the firm to survive (Clarkson 1995, p. 106). They may include, *inter alia*, employees and managers, suppliers, clients, and the funders of the firm (e.g., shareholders, bankers). Resources are the set of tangible and intangible assets that allow the firm to perform its activities and produce its outputs (Wernerfelt 1984).

The view of firms as candidates (Zuckerman 1999) is consistent with the stakeholder perspective in that it sees the firm as being at the center of a network of stakeholders (Barringer and Harrison 2000, Freeman et al. 2004, Rowley 1997), managing in a more or less proactive manner the expectations and demands presented by the stakeholders to maintain reciprocal relationships (Harrison et al. 2010). While recognizing the ability of firms to sort out, prioritize and ignore stakeholders' requests (Eesley and Lenox 2006, Mitchell et al. 1997), the candidate view emphasizes the intrinsic reciprocal nature of firm-stakeholders relationships and, hence, the discretion of stakeholders in maintaining or withdrawing their support to a firm.

Under this view, primary stakeholders constantly evaluate what firms do—and in particular what they produce—and the outcome of their evaluation affects the firm-level inflow of the resources they control (e.g., work, knowledge, money). Because firms need these resources to operate and compete, stakeholders' evaluation is key to firm's survival. Grounded in new institutional theory, the argument echoes the resource-dependence view of the firm, which posits that firms need to form and maintain stable coalitions of support, and in that purpose have to align their activities with the interests of the coalitions' members (Pfeffer and Salancik 1978). However, it does not assume that stakeholders' evaluations are primarily based on a rational assessment of stakeholder's interests. Rather, the candidate view underlines the intrinsically social nature of evaluations (Lamont 2012,

Zuckerman 2012): stakeholders' evaluations of firms are affected by the expectations of stakeholders, which are embedded in larger systems of beliefs, values, assumptions, and norms.

Past research shows that stakeholders' expectations are shaped by shared collective understandings (Wry et al. 2013, Zukin and DiMaggio 1990) that vary with space and time and cross stakeholder roles (e.g., investor, supplier). For instance, Fiss and Zajac (2004) find that shareholder values became increasingly pregnant in the German economy at the end of the 20th century. The rise of environmental concerns in western economies in recent decades offers another striking example of shifts in stakeholder expectations that transcend specific roles (Bansal and Roth 2000). Recent work finds more evidence that stakeholders' expectations are not idiosyncratic, but shaped by broader systems of beliefs and values (Maurer et al. 2011), also referred to as institutional logics (Friedland and Alford 1991, Thornton et al. 2012). Located in space and time and embedded in higher societal orders (e.g., the market, the State, the corporation, the profession, religion, the family, the community), institutional logics are 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality' (Thornton and Ocasio 1999, p. 804). As cultural beliefs and rules, logics shape the expectations of stakeholders about how firms should organize and behave, and define 'rules of the game' based on—usually implicit—beliefs, values, incentives, and assumptions about how to succeed (Dunn and Jones 2010).

When new logics emerge in an industry, displacing previously dominant ones, firms face institutional contexts that can be described as fragmented: i.e., "several institutional logics are separately represented by uncoordinated organizations or referent audiences" (Greenwood et al. 2011, p. 337). In other words, the stakeholders of the firms are divided in different sub-audiences, each holding a specific institutional logic and yardstick to evaluate firms (Fini et al. 2017, Karpik 2010). For instance, a stakeholder audience holding a professional logic may expect firms to abide by the norms of the profession and contribute to further develop the state-of-the-art in the profession, while a market-oriented audience may assume that the firm's default mission is to maximize its bottom line. The members of the former stakeholder audience may primarily evaluate firms based on their level of professional achievement, and the latter focus on their level of profitability. In both cases, the outcome

of the valuation process is likely to affect how much resources the stakeholders are willing to grant to the firm—and may ultimately shape the firm’s survival chances.

While firms may respond in various manners to divergent institutional pressures (e.g., Oliver 1991, Pache and Santos 2010), one of the key choices they face in fragmented industries is to align or not their offering (product or services) with the expectations of their stakeholders. Stakeholders constantly scrutinize firms: firm’s offering are visible indices of conformity or deviance (Durand and Kremp 2016) to the different institutional logics of the industry, and can be regarded as signals addressed to the stakeholder audiences (i.e., manipulable by the firm at a cost, Shapiro 1983).

Firms attempting to establish and maintain stable and reciprocal relationships with stakeholders—i.e., managing for stakeholders (Harrison et al. 2010)—may choose to engage in a form of institutional specialization, that is consistently deliver products or services that conform to the logic-based expectations of one particular audience. They may rather stay away from specialization and attempt to address a wider range of stakeholders¹. The choice is likely to be engaging and non-easily reversible (i.e., strategic): conforming to one audience may, in some instances, entail displeasing another audience. And because stakeholder audiences (at least partially) disagree on what organizations are expected to do, firms may not secure positive evaluation from the full set of stakeholders. This prompts a simple question, relevant from a strategic management perspective: should firms institutionally specialize?

Institutional specialization and survival

While there has been significant work on specialization, the main focus has been on firms’ specialization in established market categories (e.g., movie genres, wine terroirs). One of the predictions of this stream of research is that specialization in a market segment is negatively associated with survival, given a highly variable or unpredictable distribution of resources (Hsu 2006)². The argument primarily builds on the niche perspective in organizational ecology: because the

¹ Among the institutionally non-specialized firms, some may combine various institutional logics at their core—i.e., hybrid organizations (Battilana and Lee 2014).

² Niche width theory further argue that the survival advantage of generalists is not unconditional: generalists have lower death rates when environmental variation is “coarse-grained” and large, but not when environmental variations is “fine-grained” (Freeman and Hannan 1983), the “grain” being relative to the adaptive capacities and life expectancies of organizational forms.

amount of resources available in each market niche is hardly predictable and subject to considerable demand and technological uncertainty, generalists firms operating in different market niches can spread risks and secure a more stable flow of resources than firms specialized in a single niche. A consequence is that markets specialists tend to enjoy a survival advantage over more generalist firms in changing environments. The negative association between market specialization and survival has been documented in various settings, including the US bicycle industry (Dowell and Swaminathan 2000) and the European automobile manufacturing industry (Dobrev et al. 2001).

Applying a similar same reasoning to institutionally specialized firms might imply they are at a survival disadvantage compared to (institutional) non-specialists: by conforming to the expectations of a narrower stakeholder audience, they might restrict the pool of accessible resources, and consequently experience a more uncertain inflow of resources. Yet, critical differences between the market and the institutional contexts cautions against a direct transposition of the argument. Institutions are “sticky”: unlike market niches, which can be subject to rapid shifts in demand and technologies, institutionalized beliefs, rules, and logics tend to reproduce themselves, albeit imperfectly. Institutional contexts do change—a premise of this article—but they do so at a much slower pace than markets (Leblebici et al. 1991). While demand may shift quickly and unexpectedly from one niche to another, institutional changes occur gradually and typically unfold over long periods of time (i.e., years, if not decades). Institutionally specialized firms might have access to a narrower pool of resources than non-specialist firms, but they can count on a rather stable and predictable flow of resources coming from an established stakeholder audience. In other words, unlike market specialists, institutional specialists may not experience greater resource supply risks than other organizations.

A critical difference with market specialization has to do with the nature of the evaluating audiences. Consumer audiences evaluating products and producers usually do not strongly identify themselves with a category—with the exception of community-focused consumers (Fosfuri et al. 2011). For instance, while consumers evaluating a Barolo/Barbaresco wine producer may have personal preferences (e.g., *barrique* over *botti*), they do not identify themselves with wine categories, which are

unrelated (or marginally so) to their own social identity. By contrast, stakeholders³ do not operate in an institutional void: they are themselves evaluated by others, who have themselves institutionally defined expectations. Not only do stakeholders evaluate firms according to their own logic-based yardstick, but institutional logics also shape their own (social) identity. On average, thus, one may expect stakeholder audiences in fragmented institutional contexts to be more polarized than consumer audiences: i.e., they are likely to favor a logic and oppose others.

Viewed in this light, institutional specialization may come with a decisive advantage: past studies document in various contexts how specialized actors and objects associated with an established category tend to receive higher evaluations than their counterparts spanning different categories (Hsu 2006, Negro et al. 2010). According to this line of work, market specialists have higher appeal than generalists with their (market) audience for three main reasons: they develop better skills and competences, tend to be regarded more positively, are better understood than generalist players (Kovács and Hannan 2015). The evaluation advantage market specialists may enjoy is thus partially earned—i.e., they develop better skills—and partially the result of audience biases and cognitive confusion. I examine in what follows how these arguments hold when regarding institutional logics as categories (Thornton et al. 2012).

First, because they have built a track record of reciprocity with stakeholders, institutional specialists may be more knowledgeable and skilled at managing for stakeholders than non-specialized producers (Bosse et al. 2009, Harrison et al. 2010). Institutional logics have partially distinct knowledge bases, vocabularies, and repertoires of actions (Thornton et al. 2012): for instance, a professional logic may emphasize trade abilities and the mastery of professional norms, whereas a market logic may give more center stage to the managerial skills and the market orientation of the firm. By consistently conforming to an institutional logic, institutionally specialized firms get exposure to stakeholders' logic-based expectations and may become better skilled at dealing with them (Negro et al. 2010). As specialized firms learn about the stakeholders' view of the world and what they may expect (Friedland and Alford 1991), they develop a mutual understanding—a form of

³ The argument applies to stakeholders that are not product users, i.e. most stakeholders except for customers.

institutional capital (Oliver 1991)—that non-specialized firms may lack. Institutionally specialized firms are thus better equipped than non-specialized competitors to meet the expectations of the relevant stakeholder audience and maintain relationships with them.

Second, independently of the actual ability of firms to address stakeholder expectations, stakeholder audiences may be biased toward institutional specialists. In the context of firm-stakeholder relationships, this may go beyond the jack-of-all-trade argument (Hsu 2006), which posits that non-specialist organizations suffer from an evaluation bias and are usually discounted by audiences because they are believed to be generally less good at what they do. To the extent that institutional logics are conflicting, which is often the case (Thornton and Ocasio 1999), firms spanning different institutional logics may appear suspicious to many stakeholders. They may question the true position of the firm in the institutional arena (e.g., “is this organization with us?”). Among other consequences, a lack of institutional specialization may hinder the formation of trust between the firm and its stakeholders, which has been argued to be paramount to the creation and maintenance of reciprocal stakeholder relationships (Harrison et al. 2010).

Third, past research finds evidence that organizations spanning categories, tend to be less understandable and visible to key audiences, which tend to ignore them (Zuckerman 1999). Stakeholders may find it hard to make sense of institutionally non-specialized firm: for instance, they may fail to clearly identify what defines the organization and makes it unique, and what are its goals, two dimensions that have been identified with successful firm-stakeholders relationships (Bundy et al. 2013). In other words, non-specialized firms may, on average, suffer from a lack of stakeholder understanding and attention. By contrast, institutional specialists may resemble more closely the logic-based prototypical identity stakeholders have in mind, and adopt more readily comprehensible goals, commanding on average higher attention from their stakeholders than non-specialized firms (Ocasio and Joseph 2005).

Because non-specialist firms may be less skilled at addressing stakeholders’ expectations, suffer from an evaluation discount in their eyes, and tend to experience an attention deficit with stakeholder audiences, they are likely to be at a disadvantage when managing for stakeholders. A stakeholder evaluating two firms—one that is institutionally specialized and one that is not—before

granting or maintaining its (resource) support, is likely to give, a higher evaluation to the institutional specialist, *ceteris paribus*. In all, these arguments suggest that institutionally specialized firms enjoy a survival advantage in fragmented institutional settings: they are better positioned than non-specialized firms to establish the successful reciprocal stakeholder relationships they need to operate and survive.

Hypothesis 1: All else being equal, the more firms are institutionally specialized, the higher their survival chances are in institutionally fragmented industries.

The contrast between institutional logics

As industries evolve, the strength of the symbolic boundaries that keep logics separate—i.e., the “conceptual distinctions made by social actors to categorize objects, people, practices, and even time and space” (Lamont and Molnár 2002, p. 168)—may vary. In some settings, there may be a clear distinction between logics such that most firms are institutionally specialized, and stakeholders can assign most firms to an identified institutional logic. If many firms loosen their level of institutional specialization and navigate between several logics, the sharpness of the distinction between the institutional logics with stakeholder audiences may decrease. Like categories, institutional logics may be seen as varying in contrast (Negro et al. 2010): when a logic has high contrast, stakeholders typically perceive firms as being mostly associated with (or dissociated from) the logic. At the industry level, contrast decreases when the proportion of non-institutional specialists increases, such that more firms tend to be perceived as being associated with several logics⁴.

It has been argued that lowered contrast reduces the advantages of market category specialism: by making categories less salient to the audience, it reduces the appeal of all products in a category (Negro et al. 2010). Again, the transposition of a market category argument to institutional logics requires a careful examination. Because many members of stakeholder audiences are likely to favor (or disfavor) one the logics of the industry, as previously noted, they may care about maintaining the symbolic boundaries that separate institutional logics (Zietsma and Lawrence 2010). As a result, the evaluation advantage institutional specialists may enjoy in the eyes of stakeholders is likely to grow larger when contrast is lowered—i.e., when average institutional specialization decreases. Let’s

⁴ This is analog to the argument that average categorical niche width is inversely proportional to the average contrast of the categories (Negro et al., 2010).

review the three theoretical mechanisms supporting the predicted relationship between firm's institutional specialization and survival.

The first argument is that institutional specialists, compared to non-specialists, learn more efficiently about how to address stakeholders' expectations, and may better manage for stakeholders, allowing them to form and maintain durable and reciprocal relationships with stakeholders. While logic contrast may not affect the firm's learning per se, one may expect stakeholders to be more sensitive to the institutional capital (Oliver 1997) of the firms they evaluate as candidates when the boundary between logics is at risk of eroding. In other words, because institutional specialists are less prevalent in the population of firms, the skills derived from specialization may become more valued by stakeholders.

The second argument relates to the evaluation bias specialists tend to enjoy independently of their abilities. When logic contrast is lowered, stakeholders may be more sensitive to the necessity of maintaining the weakened symbolic boundaries that keep logics distinct. Firms that do not to specialize in one institutional logic may then be punished more severely, because stakeholders may see them as violating the established social code and endangering the institutional order (Durand et al. 2007). In settings where the contrast between logics is high, the institutional order is more stable, and stakeholders may be more lenient toward non-specialist firms. To the extent that stakeholders act as gatekeepers "patrolling the borders" of logics (Glynn and Lounsbury 2005), enforcing established logic-based theories of values (Paolella and Durand 2016, Zuckerman and Rao 2004), their level of severity when evaluating non-specialists may be inversely related to logic contrast.

The third argument has to do with the attention advantage institutional specialists may enjoy with the stakeholder audience. One may expect the effect of contrast on stakeholder attention to be mixed. On the one hand, the atypicality of non-specialized firms may decrease when contrast is low, reducing the attention penalty. On the other hand, the proportion of institutionally non-specialized firms increasing, a single non-specialist firm may capture less attention from stakeholders, contributing to a greater attention deficit. In combination, logic contrast may not influence much the institutional specialized firms' attention advantage.

Nonetheless, because the institutional capital specialists may acquire has greater value for stakeholders, which may also apply conservatively a larger discount to non-specialists as the institutional order is weakened, one may expect institutional specialists to benefit from a greater survival advantage when logic contrast is low. In other words, the likelihood of institutional specialists to create and maintain reciprocal relationships with stakeholders, critical for survival, is higher when logic contrast is low, and smaller when contrast is high.

Hypothesis 2: The relationship between institutional specialization and survival chances in institutional fragmented industries is negatively moderated by industry-level logic contrast.

AN EMPIRICAL TEST IN THE FRENCH FILM INDUSTRY

Professional and market logics in the French film production industry

I study the relationship between institutional specialization and survival chances in the full population of film production firms in France between 1994 and 2008. The French film production industry has historically been dominated by a professional logic, salient to firms and stakeholders (Jourdan et al. 2017). The industry, born with the invention of the cinematograph by the Lumière Brothers in 1895, has been profoundly shaped by two major phenomena. First, the gradual recognition in the western world of filmmaking as a form of art (Baumann 2001, Caves 2000) was particularly influential in France, where it resonated with the legal doctrine of *moral rights*. By contrast to the *copyright* regime that secure the rights of owners (e.g., producers), the moral rights regime grants authors—‘auteurs’ (e.g., writers, directors)—inalienable rights, including the ‘final cut’ (the legal right to choose the final edited version of a movie). This culminated with the *Nouvelle Vague* movement (New Wave) of the late 1950s and 1960s, which established the preeminent role of directors in filmmaking and stigmatized the commercial orientation of popular cinema. Second, the import in French theatres of Hollywood movies after World War II and, the Blum-Byrnes trade deal of 1946, triggered the involvement of the State in the industry to safeguard the national cultural heritage and protect local jobs. The identity movement of the *Nouvelle Vague* and the material support of the State (through a range of subsidies) contributed to sustain a stable system of beliefs, expectations and values proper to film professionals—supporting a vivid professional logic of filmmaking. For supporters of the

professional logic, the goal of filmmaking is essentially artistic and cultural; the market is just a means to achieve this goal and must therefore be kept in check as epitomized by the national film board's mission to 'curb the effects of the market' and to 'enable creators to express themselves independently of market constraints' (CNC 2007). The set of institutions and resources dedicated to the film professionals (e.g., directors, writers, cinematographers) had produced a unique blend of cinematic production, as illustrated by Quentin Tarentino's quip: 'Cinema is my religion and France is the Vatican' (Keslassy and Keslassy 2013). While the professional logic is very potent in the industry, it has been challenged at the end of the 20th century by the rise of another logic that sees filmmaking primarily as a popular entertainment business (Jones 2001). Whereas the professional logic of the "auteurs" relies on a small elite of critics and experts to make legitimacy judgments, the market logic sees the market as the ultimate judge of a film's merits.

I used interviews with industry participants supplemented by archival data to specify ideal types (Table 1) demarcating the two main institutional logics in the film industry in France (Jourdan et al. 2017). Seventeen open-ended interviews were conducted with a snowball sample including film investors, producers, State regulators, and directors to ground the interpretation of the data. Interviews averaged 45 minutes, were tape recorded (when permitted), and followed a protocol that evolved with the research project. Ideal types are a conceptual tool to interpret the comparative meaning of these elemental categories in pure form; they are used in institutional logic research to gauge the distance of observations relative to polar extreme ideal types (Reay and Jones 2016).

Insert Table 1 about here

Capturing institutional specialization

As a journalist of the Hollywood Reporter once remarked, there is an 'enormous gulf' separating the two logics: for advocates of the professional logic, 'French commercial movies are an anathema—something to largely avoid, or else to tolerate like a distant, trashy relative that you only need to see once a year, usually at Christmastime', and for supporters of the market logic, 'there's no reason why the moviegoing experience should be a thought-provoking one, why something that's entertaining needs be brainy as well' (Mintzer 2013). Interviewees pointed to the certification made by the French

Association of Art & Essay Cinema (AFCAE) as an important indicator of logic conformity. Dating back to the *Nouvelle Vague* movement, the AFCAE is the voice of film authors: film critics, movie directors, and art house exhibitors. The Art & Essay certification was established to distinguish films that are recognized as artistically ambitious and contribute to cultural diversity—known in France as *film d'auteur*. In practice, a committee of experts reviews all the films before they are theatrically released and grants the Art & Essay certification to the ones that are deemed to contribute to ‘research and novelty in cinematographic creation’ (art-et-essai.org). In a setting where two logics are largely antagonistic, commercial films that have been screened but not deemed worthy of the Art & Essay classification are regarded as conforming to the competing market logic—an interpretation that can be found for instance in industry statistics and the press; for brevity, I refer to these films as *mainstream films*.

To document the ‘gulf’ that separates Art & Essay and mainstream films, I compared the cost, revenues and critics’ ratings of the two types of films in the dataset. As Table 2 shows, Art & Essay films have significantly lower production budgets (€3.15 vs. €8.15m on average), as well as weaker gross box office revenues (€1.04m vs. €3.88m) than mainstream movies. I also collected the 28,899 film critics’ ratings referenced by Allocine.com—the main web service dedicated to French cinema—relating to the films produced between 1994 and 2008. Film reviews are important referents in that they reflect an intellectualizing discourse about the cultural and artistic nature of cinema (Baumann, 2001), providing hints about the conformity of films to the professional and market logics. Table 2 illustrates the intrinsic nature of Art & Essay films: they receive on average significantly higher film critics’ ratings (3.38 out of 4) than mainstream films (2.77). To further probe this finding, I asked two experts in French newspapers (an emeritus scholar in the field of communication and a press executive) to identify the five publications most aligned with the professional logic among the first 20 newspapers with the highest number of reviews: the gap between Art & Essay films’ ratings (3.35) and mainstream films’ ratings (2.53) is larger in the subset of 6,744 reviews published in these newspapers (35% higher vs. 22% higher in the full sample). One-tailed t-tests confirm differences in means are statistically significant. Together, these results confirm that the Art & Essay certification, epitomizing the professional logic of filmmaking, is granted to films with average lower production

cost and box office potential, yet higher critic's appeal, and leaves out more costly and mainstream products with lower critical appeal, supporting the general belief in the industry that the certification offers a reasonable instrument to demarcate films' conformity to the professional and market logics of French cinema.

Insert Table 2 and Figure 1 about here

In the French context, and in contrast to other markets, art house films do not belong to a niche market: 54.6 percent of the 2,495 French feature films released between 1994 and 2008 are Art & Essay films. On average over the period, 36.7% of the money invested in film production (as measured by production budgets) went to Art & Essay films. As Figure 1 illustrates, the percentage of production investments dedicated to Art & Essay films varied during the period under study, decreasing after 2004 as the market logic was gaining ground.

In the institutionally fragmented context of the French film industry, producer firms repeatedly commit resources to film projects that are evaluated as conforming with one of the two main logics of the industry: releasing an Art & Essay film signals conformity to the professional logic, releasing a mainstream movie indicates compliance with the market logic. Firms consistently conforming to either the professional logic or the market logic develop institutional specialization. Arguments developed in this paper suggest that institutional specialization will increase the likelihood of forming and sustaining reciprocal relationships with stakeholders, including television networks, film distributors, foreign sales agents, the national film board, and co-producers, raising survival chances.

Data

Film production involves the assembly of different resources, including ideas, talents and financing, controlled by various primary stakeholders, including financiers, distributors and regulators. Thanks to the high reporting demands imposed on film producers in France, the activity of the population of firms involved in film production during the period of the study can be exhaustively traced back, offering a unique perspective on an industry where finding reliable and detailed data is often a

challenge (Wasko 2003). The law mandates that producers should file a copy of all contracts relating to film financing and production with the Public Film Register (RPCA). From this register, I extracted 17,707 contracts categorized either as production, coproduction or association to production, and related to films produced in France during the period 1994–2008. The examination of production contracts allows me to fully retrace producer firms’ involvement in film projects. Additional data on the French theatrical film market comes from the professional database *Ciné Box Office*, and was complemented with data from the trade journal *Le Film Français* and the website of the French Association of Art & Essay Cinema (AFCAE). The final dataset includes 7,541 yearly observations on 2,277 producer firms (the unit of analysis).

Method and dependent variable

One of the challenges attached to the study of institutionally fragmented environments is that performance yardsticks vary across logics. Under the market logic, performance is mostly a matter of box office success (i.e., theatre admissions or gross revenues). According to the professional logic, successful movies are the ones that make a recognized artistic contribution (i.e., distinguished by prestigious festival, or film critics) and are consecrated by their peers (Cattani et al. 2014). For the purpose of this study, I focus on a firm-level outcome that is critical to all firms in the population: I model differences in survival rates. I use accelerated failure time analysis (AFT), a method appropriate to model differences in entry dates—that is with shorter periods of observations for late entrants (Barkema et al. 1996, Hoang and Rothaermel 2005, Mitchell et al. 1992). Akaike’s Information Criteria (AIC) were used to discriminate between different underlying distributions of the hazard rates (Akaike 1974), pointing towards a Weibull distribution. The AFT model assumes a linear relationship between the log of (latent) survival time T and a vector of firm characteristics X at time j :

$$T_j = \exp(-X_j \beta_x) t_j$$

where T_j is distributed as Weibull with parameters (β_0, p) and cumulative distribution function $F(T) = 1 - \exp[-\{\exp(-\beta_0)T\}^p]$, and β_x is a vector of coefficients to be estimated from the data. Firms enter the risk set at the date they sign their first contract. They are assumed to have failed when they have been inactive for at least three years, consistent with prior studies of the industry (Cattani et al. 2008). Firms that are still active in the last three years of observations are assumed to have survived, and are coded

as right-censored. Exit is interpreted as failure: interviews with regulators revealed that merger and acquisition are extremely rare events because the subsidies producer firms are entitled to are not transferrable through mergers, and technical and cultural specialization hinders moves to other markets. To alleviate left-censoring issues and control for age, I rely on complementary contract data going back to 1987 to identify the birth date of the firms. Robust standard errors are adjusted for firm clusters. A frailty model is also tested to account for potential unobserved heterogeneity as a robustness check.

Independent variable and moderator

One of the main—and most visible—resource allocation decisions producer firms make relates to product releases. I measure firm’s *institutional specialization* by examining the extent to which the products it released in the past have been recognized as being conformant with one of the distinct institutional logics of the industry. I rely on a time-varying measure of institutional specialization C_{itk} : the share of organization i ’s accumulated production as of time t recognized as conforming with logic k (among the n logics available in the industry). For example, the film producer Fidélité was involved in 45 films between 1998 and 2008, of which 20 were Art & Essay films and 25 were mainstream products: Fidélité’s measures of conformity to the professional and market logic are $C_{itPRF} = (20/45) = .444$, and $C_{itMKT} = (25/45) = .556$, respectively. Because I’m interested in an index of consistent conformity to one logic (at the exclusion of others), I use a normalized Herfindahl index as a general measure of institutional specialization:

$$(1) \quad \text{institutional specialization}_{it} = \frac{(\sum_{k=1}^n c_{itk}^2 - \frac{1}{n})}{1 - \frac{1}{n}}$$

The normalized index variable ranges from zero to one. The interpretation of the variable is simple: the more firm i has released products consistently conforming to one logic, the more its institutional specialization $_{it}$ approaches a value of one; in the opposite case in which i ’s products are evenly spread across n logics, the value of institutional specialization $_{it}$ is zero. In the context of the French film industry where two main exclusive institutional logics coexist ($n=2$), the measure described in equation (1) can be simplified as follows:

$$(2) \quad \text{institutional specialization}_{it} = \frac{(C_{itPRF}^2 + C_{itMKT}^2)^{-\frac{1}{2}}}{1 - \frac{1}{2}} = 2 [C_{itPRF}^2 + C_{itMKT}^2] - 1$$

where C_{itPRF} and C_{itMKT} are the shares of firm i 's cumulated film production as of time t recognized as conforming to the professional logic and to the market logic respectively. For example, the film producer Fidélité has a low institutional specialization value of 0.012 ($=2[.444^2 + .556^2] - 1$) as of 2008, reflecting the fact that the firm's production slate has been spread across the two logics. By contrast, Sunday Morning Productions had a higher institutional specialization value of .669 with 10 Art & Essay films and only one mainstream film at the end of 2006.

To capture *logic contrast*, I adopt a simple measure based on the proportion of firms in the industry that are fully institutionally specialized as of year t (i.e., either fully focused on Art & Essay films, or fully focused on mainstream films). I reason that the more firms are embracing two institutional logics, the lower the contrast between the logics at the industry level. In the French film industry setting, the measure captures the decrease in contrast between the two institutional logics during the period under study. As Figure 2 illustrates, the proportion of observations where firms are institutionally "pure" decreases from 82.9% in 1994 to 48.7% in 2008. As the market logic was gaining ground in the industry (see Figure 1), providing an increasing share of production funding, a declining proportion of producer firms remained specialized in one the two institutional logics, reducing the industry-level contrast between the professional and the market logics.

 Insert Figure 2 about here

Control variables

In order to test the discriminant effect of institutional specialization, I control for a number of time-varying firm-level factors that might affect firms' survival chances. Organizational age has been found to influence survival chances in populations of organizations, with younger firms suffering from a liability of newness (Stinchcombe 1965). As larger firms may have greater survival chances (Barnett 1997), I include a variable for *size*, proxied by computing the average project size of firm i , the natural log of the average production budget of the films the firm has produced—under the assumption that only sizeable firms may be able to produce big budget films. Critically, I control for firm capabilities

that may explain differences in survival abilities: I include variables for past performance in both economic and artistic domains. *Economic performance* is proxied by the cumulated past box office revenues of the films produced by the firm. *Artistic performance* is measured by cumulating the number of awards—a common measure of artistic achievement in the industry (Rossman et al. 2010)—won at the Cannes film festival. I select the Cannes film festival because it is the most central event in the industry (De Valck 2010) and Cannes awards are exclusively based on artistic considerations (results are unchanged with alternative specifications using *Césars* nominations and awards—the French equivalent of the Oscars). (Alternative specifications (unreported) using experience variables (count of films produced) instead of economic and artistic performance indicators yield similar results). The film industry being highly interconnected, social capital may also be critical to survival. I measure firm’s time-varying eigenvector centrality in the producers’ network. Producer firms are tied when they are jointly involved in a film project. I adopt a moving-window approach in constructing the network of producer firms: ties are assumed to remain active for three years (Cattani et al. 2008). (Alternative specifications based on 2-year and 4-year ties give similar results.) Eigenvector centrality is a typical measure of *social capital*, under the idea that central firms have a double visibility advantage over more peripheral players that could contribute to increasing their survival chances: they have a greater vision of what is happening in the industry (information advantage), and they are also more visible and have thus a greater influence on other firms (influence advantage). It’s a recursive measure of network centrality (Bonacich 1987), increasing when firms are connected to other firms themselves more connected (an alternative measure based on degree centrality gave similar results); formally, the measure of eigenvector centrality is defined as follows: $c(\alpha, \beta) = \alpha(I - \beta R)^{-1} R \mathbf{1}$ where α is a scaling factor, β is a weighting factor, R is the adjacency (matrix of network relationships), I is the identity matrix, and $\mathbf{1}$ a matrix of ones. I also account for fixed firm characteristics. I identify through the *fund* dummy variable a specific form of producer firms: investment funds specialized in film production that have a shorter life span and may thus have lower survival rates. I also include a dummy variable to identify firms that are only involved in a *single film* over the period under study. I also control for industry level variables that may affect firm survival. *Industry resources* is the natural log of the amount of resources at the industry level in the focal year, measured by the sum of

production budgets (the variable is standardized for the sake of readability). Density-dependence factors have been found to be significant predictors of firm's mortality in population studies (Hannan and Freeman 1989): I add variables for *industry density* (number of active firms in the industry) and *industry density squared* (divided by 100). Finally, I add a set of year dummy variables in order to control for potential unobserved period fixed effects.

RESULTS

Table 3 presents descriptive statistics and pairwise correlations for the variables in the models. It's noteworthy that the mean value of *institutional specialization* in the population is high (0.70); a closer look at the distribution of the observations reveals that firms stick to one logic (institutional specialization equals to 1) in about two thirds (64%) of the observations on average during the period under study (Table 4).

Insert Tables 3, 4 and 5, and Figure 3 about here

Estimations of accelerated failure time (AFT) models with Weibull distribution are presented in Table 5. AFT models estimate survival rates (i.e., positive coefficients indicate a positive relationship with survival). Model 1 introduces the control variables. As expected, *age* and *size* have significant positive relationships with survival. Past *economic performance* and *artistic performance* do not seem to be related to survival, a possible illustration of the observation that past performance is a poor predictor of future achievements in creative industries (Caves 2000). The coefficient for *social capital* is positive and significant. Investments *funds* have lower survival rates, and so do firms that produced only a *single film*. While survival chances increase with industry resources, there is weak evidence of density dependence in this mature industry: the coefficient for *industry density* is positive and marginally significant; the quadratic term is negative but not statistically significant.

Institutional specialization is added in Model 2. Consistent with Hypothesis 1, the relationship between institutional specialization and survival is positive and highly significant (0.822, $p < 0.001$). As the AFT model is log-linear, this result suggests that a 0.10 increase in *institutional specialization* is associated with an increase in survival chances by a factor of 1.086 ($e^{0.822 \cdot 0.1}$), all else being equal.

Compared to a firm with an institutional specialization value of 0, a fully institutionally specialized firm may be expected to survive 2.28 times longer ($e^{.822}$).

I further explore whether the survival benefit of institutional specialization holds independently of the logic in which the firm has specialized. That is: do both mainstream specialists and Art & Essay specialists enjoy a survival advantage? To test this, I introduce a spline specification of the institutional specialization variable: *institutional specialization (market)* is equal to *institutional specialization* when the firm is specialized in the market logic, and 0 otherwise; *institutional specialization (profession)* is equal to *institutional specialization* when the firm is specialized in the professional logic, and 0 otherwise. The variables are entered in Model 3: both coefficients are positive and highly significant (0.806 for institutional specialization (market) and 0.833 for institutional specialization (professional), $p < 0.001$). These results suggest that not only do market logic specialists have higher survival chances, but that firms specialized in the professional logic of filmmaking also enjoy a survival advantage. While this result might appear surprising considering the weaker box office potential of Art & Essay films, it is consistent with the theory of institutional specialization: producer firms specialized in the professional logic are well positioned to form and maintain reciprocal relationships with a set of key stakeholders, increasing their survival chances.

Hypothesis 2 predicts that the relationship between institutional specialization and survival will be strengthened when logic contrast decreases. I add the *logic contrast* variable in Model 4. The coefficient for the variable is positive and significant suggesting that average survival chances are higher when the contrast between the logics is strong: while interpreting this result goes beyond the scope of this study, one possible reason for this result might be that the loss of logic contrast is related to an industry-wide institutional shift, which may have affected firm-stakeholder relationships at the industry level. The coefficient for the interaction between institutional specialization and logic contrast is negative and statistically significant (-3.434, $p < 0.05$), in line with Hypothesis 2: institutionally specialized firms have a larger survival advantage when logic contrast decreases at the industry level. Figure 3 plots the marginal effect of institutional specialization conditional on logic contrast (as recommended by Brambor et al. 2006): the marginal survival advantage of an institutional specialist firm (value of 1) compared to an institutional generalist firm (value of 0) falls from 4.87 to 1.20 when

logic contrast increased from .42 to 0.83 (limit values observed in the sample). Model 5 provides an alternative test with spline variables, confirming that the survival advantage related to institutional specialization is larger when logic contrast decreases for both firms aligned with the market logic (-3.335, $p < 0.05$) and firms conforming to the professional logic (-3.535, $p < 0.05$).

Further analysis

I have argued that institutionally specialized firms are in favorable position to acquire resources critical for survival from key stakeholders. The arguments highlight the benefits of institutional specialization—i.e. consistent conformity to an institutional logic—conceptually distinct from market specialization—i.e. consistent focus on a market niche (Hannan and Freeman 1989, Sorenson et al. 2006). While institutional specialization relates to the firm’s position in the institutional context, affecting how it is perceived by stakeholders—a form of character reputation—market specialization is mostly indicative of what the firm is capable of achieving. In practice, yet, institutional logics affect what managers attend to (Ocasio 1997), including market choices, such that institutionally specialized firms might systematically differ in market specialization from other firms, affecting the results. In the film industry, market specialization has been typically measured in terms of participation in film genres (e.g., Hsu 2006, Hsu et al. 2009, Shamsie et al. 2009). A closer look at the French film market (Figure 4) reveals that Art & Essay films tend to be over-represented in the comedy-drama and drama genres, while mainstream films are more likely to be comedies. To explore whether market specialization might contribute to explain the findings, I compute a *market specialization* variable capturing firms’ involvement in 17 different movie genres (adapted from Hsu *et al.*, 2009):

$$market\ specialization_i = \sum_{l \in \mathbf{l}(m)} \tilde{\mu}_l^2(i)$$

where $\mathbf{l}(m)$ denotes the set of genres in the market and $\tilde{\mu}_l(i)$ is the share of i ’s films that are members of genre l . The value of *market specialization* is high when producers are specialized in a few market genres, and low when they are generalists. I introduce market specialization in Model 6 (Table 6) as an additional control: the coefficient for the variable is positive and significant, suggesting that market specialists have higher chances to survive in the French film industry. Adding support to Hypothesis 1, the coefficient for *institutional specialization* remains positive and significant, after controlling for

market specialization. The coefficients for the other variables of interest are largely stable (compared to Model 4).

Another concern with the analysis relates to potential unobserved heterogeneity in the population of firms, i.e. if factors that may affect institutional specialization and survival are not included in the models. Frailty models, treating hazards as a function of some unobserved-specific effect, have been found effective in addressing this concern (Fuentelsaz and Gómez 2006). I use frailty a specification in Models 7: frailties are modeled as a random variable of mean 1 and variance θ estimated from the data, and are assumed to follow an inverse-Gaussian distribution (Cleves et al. 2010). Again, results are robust to the change in specification: the coefficient for institutional specialization stays positive and significant, although of lower magnitude, in line with Hypothesis 1; the interaction with logic contrast is negative and significant as predicted by Hypothesis 2.

Finally, I have assumed that stakeholders observe the track record of producer firms over their entire lifespan to assess their level of institutional specialization. Yet, it could be that recent releases are more readily available to stakeholders' memory than ancient ones. In order to probe the potential effect of time on the findings, I run alternative model using time-decaying measures of institutional specialization: that is, I assume that the weight given by stakeholders to a film is greatest in the release year, and then decays by a fixed rate every year (Mitchell 2014, Watt et al. 1993). Models 8-11 report the results of the full frailty model with annual decay rates ranging between 5% and 20%, confirming that the results are robust when allowing for time decay. Taken together, these results add confidence in the soundness of the findings. Accounting for market specialization, unobserved heterogeneity, and a 20% annual decay rate (in addition to logic contrast), institutionally specialized firms still have on average a marked survival advantage (about 15.5% higher than institutional generalist firms).

Insert Table 6 and Figure 4 about here

DISCUSSION AND CONCLUSION

In fragmented institutional environments, stakeholders face considerable uncertainty regarding organizations. The present study advances the idea that firms' accumulated conformity decisions produce a series of observations—like the vapor trail jet aircrafts leave in the sky—stakeholders can use

to assess the firm's standing in the industry's institutional context. When these cues point to firm-level institutional specialization—i.e., consistent conformity to an established institutional logic—firms may be better evaluated and understood by their primary stakeholders: institutionally specialized firms (i.e., showing consistent conformity with one of the salient institutional logics of the industry) may be better positioned than institutionally generalist firms (i.e., lacking such consistency) to create and maintain the reciprocal stakeholder relationships they need to survive. Empirical evidence from the French film production industry is consistent with this view: I find that institutional specialists had significantly higher survival chances than institutional generalists. This result is robust to several specifications and the inclusion of a variety of control variables, including past economic and artistic performance. The effect is material: institutional specialists have, on average, more than twice as many chances to survive than institutional generalists. I also find evidence that the survival benefit associated with institutional specialization is conditional on the level of contrast across logics at the industry level: the benefit increases when contrast goes down (i.e., when many firms instantiate more than one logic).

This study highlights the non-benign nature of fragmented institutional environments. A central tenet of institutional theory is that organizations conform to institutionalized expectations to access to legitimacy, resources and survival capabilities (Oliver 1997, Scott 1987). In fragmented environments, complication arises from the coexistence of diverse and often conflicting expectations (Goodrick and Reay 2011, Greenwood et al. 2011, Kraatz and Block 2008). In my setting, stakeholders operating under the professional logic of filmmaking largely avoid artistic film producers, much like advocates of the professional logic reluctantly associate with producers involved in mainstream cinema. The deeply entrenched nature of institutional logics (Thornton et al. 2012) implies that social identities are strictly segregated (i.e., one belongs to a camp) and goals are clearly distinct (i.e., market orientation vs. professional achievements). In such a setting, the findings suggest, firms that have not institutionally specialized have weaker survival chances. The penalty is more severe when logic contrast decreases at the industry level, pointing to a form of institutional resilience: in the French film industry, as more firms treaded on both professional and market territories,

stakeholders became more sensitive to institutional specialization, which created further obstacles to the survival of non-specialized firms.

Combined with prior findings, the study reveals critical evolutionary dynamics in fragmented institutional environments: firms may gain autonomy and decrease their dependence on key stakeholders by conforming to emerging (minority) logics (Durand and Jourdan 2012); yet, in doing so, they lose institutional focus and suffer from increased failures rates; moreover, as more firms straddle incumbent and emerging logics, the overall contrast across logics decreases, creating mounting pressures for institutional purity from key stakeholders, through higher survival penalties for non-institutional specialists. The overall picture is one where institutional change is driven by a set of producer firms challenging, at their own risk, the status quo maintained by incumbent stakeholders. The entry of new primary stakeholders is a key catalyzer in this evolutionary process, even if they are marginal in terms of influence and resource, and may be asked to show deference to incumbent stakeholders (Jourdan et al. 2017): by importing new institutional logics in the industry, they create impetus for change, and allow firms to set up new configurations of stakeholder relationships (Barringer and Harrison 2000, Rowley 1997).

The findings of this study contrast with work showing that market specialist firms tend to suffer from a survival disadvantage in changing or unpredictable contexts (Dobrev et al. 2001, Freeman and Hannan 1983), suggesting that the intrinsic nature of the category is critical, and needs to be accounted for when examining the effect of category specialization on firm-level outcomes. In particular, audience-specific representations of categories are key (Paolella and Durand 2016, Pontikes 2012): while moviegoers are sensitive to the genre of a film and take it into account when making viewing choices, other stakeholders (e.g., investors or distributors) may not care that much about a film being categorized as a pure comedy or drama, provided that the production meets their institutionally-grounded expectations about what a film project should be (i.e., professional endeavor vs. profit-oriented venture). As various stakeholder audiences use categorization to sort and screen exchange opportunities (Zuckerman 2017), they do not all regard the same categorical scheme as relevant, but do so depending on their objectives and theories of value (Paolella and Durand 2016). In the French film industry, I find evidence that both forms of specialization (market and institutional)

are positively related to survival, independently of each other. While the positive survival advantage of market specialists appears to contradict prior works, it's worth recalling a rare feature of the film industry: the identity of film producers is typically unknown to most consumers (i.e., the film title is the brand, not the studio⁵). This result is consistent with the jack-of-all-trades argument (Hsu 2006) that views specialist firms as developing better skills than generalists, independently of any evaluation bias, and invites further work to elucidate the survival effects of market specialization after accounting for institutional specialization.

The findings of the study also speak to the literature on firm-level sustainable advantage. First, the study contributes to shed further light on how institutional factors affect sustainable advantage (Jonsson and Regnér 2009, Zhao et al. 2017). Oliver (1997) argued that institutional factors influence how firms internally select and use resources, contributing to sustainable firm heterogeneity. The findings of this study complement this view by suggesting that institutional factors also condition the acquisition of critical external resources. In institutionally fragmented environments, firms need to acquire the key resources needed to operate and survive from different set of actors with distinct deeply entrenched beliefs, values and expectations about what a firm should be and what it should do. Engaging in institutional specialization is critical to this process, and may contribute to a form of firm-level *institutional capital* (Lounsbury and Glynn, 2001; Oliver, 1997: 709), that is the ability of firms 'to match and interact with the larger society prevailing values and practices' (Lin, 2002: 193). Institutional capital, this study suggests, forms and produces effects through firms' relationships with stakeholders instantiating various institutional logics (Harrison et al. 2010). Second, and relatedly, the study underlines the importance of a firm's historical path, beyond positions at one point in time (e.g., optimal distinctiveness; Zhao et al. 2017). An historical perspective is required to understand the nature of the relationship between a focal firm and its environment (Barnett 2007): product releases, for instance, are data points in a larger trajectory that stakeholders can observe to make sense of the level of institutional specialization a firm has achieved. Empirical results suggest that such a trajectory—resulting in various levels of institutional specialization—has a significant relationship with

⁵ Disney's movies—without equivalent in the French context—may be one of the few exceptions to that observation.

firm-level sustainable advantage, considered broadly in terms of survival advantages, independently of age, size, performance, market scope, and other variables—confirming ‘the importance of history as a determinant of firm performance and competitive advantage’ (Barney 1991, p. 108). Finally, this work indirectly points to the need to consider performance indicators with caution when examining sustainable advantage in fragmented institutional environments (Miller et al. 2013). While market-oriented stakeholders may for instance believe that the expected return on investment is the only worthy metric, other stakeholders may consider different yardsticks. For this reason, focusing on a specific performance measure (e.g., market performance) might only give a partial view of firms’ sustainable advantage; for example, firms conforming with non-market logics (such as the professional logic of filmmaking) may compensate for poor economic performance by attracting resources from non-market resource holders (Barnett 1997).

The assumptions and scope conditions used to develop theory in this study warrant examination. Resources and logics are viewed as tightly intertwined: logics are maintained through the employment of resources, and resources only make sense in the light of an institutionalized logic, e.g., the value of military forces depends on contemporary warfare conventions, the influence of priests depends on current systems of beliefs, and the respect a king commands derives from accepted stories and myths (Sewell 1992). This assumption resonates with the resource-based view’s argument that ‘the value of a firm’s resources must be understood in the specific market context within which a firm is operating’ (Barney 2001), and is consistent with works suggesting that economic agents assess resources through socially constructed ‘theories of value’ (Paolella and Durand 2016, Zuckerman and Rao 2004). An important boundary condition is that institutional fragmentation prevails, with several logics coexisting in the industry—a situation documented in an increasing number of studies (Greenwood et al. 2011). When a single logic is hegemonic, the dynamics of institutional specialization fit more classical institutional theory arguments: aligning with shared values and beliefs brings about legitimacy, increasing a firm’s chances of survival (Baum and Oliver 1991, Singh and Tucker 1986).

This study bears the limitations of any industry study and calls for further investigation in

other settings⁶. While the context of the research is a rather simple one (two salient, and largely opposed institutional logics), one may expect the theory of institutional specialization to hold in industries where several logics compete, including medical education (Dunn and Jones 2010), mutual funds (Lounsbury 2007), publishing (Thornton and Ocasio 1999), haute cuisine (Durand et al. 2007), and many others. For instance, software firms having consistently focused on the community logic of open source may count on more supportive stakeholder relationships (e.g., coders, suppliers, governments) than competitors oscillating between market and community logics, and thus enjoy higher survival chances. The context of this study is one of highly institutionalized logics; one may explore how institutional specialization affect survival in contexts where boundaries are less clearly defined or in flux (Durand et al. 2007). Although the measure of institutional specialization captures one important resource allocation decision (product release), it is tailored to the film industry in France where two main logics prevail. Future research may consider whether other important firm decisions, practices, or discourses align with existing logics. In some cases, the institutional logics of the industry may not be as antagonistic as the professional and market logics are in the French cinema context, requiring an investigation of alternative measures. Future work may also explore the extent of strategic intent behind the institutional specialization a dimension that cannot be explored given the data and methods used in this study. Scholars may for instance investigate why some firms have not institutionally specialized and how that might affect their survival chances: in some cases, firms may pursue purposeful hybrid strategies trying to combine two logics (e.g., Battilana and Lee 2014); in other cases, institutional generalism might be more unintentional. Finally, the identity orientation of the organization (Brickson 2005) may be a potentially important moderator to consider: for instance, firms with a relational identity orientation may suffer less from a lack of institutional specialization, as they might be better at managing different stakeholder audiences; and firms with a collectivistic identity orientation may be well positioned to enjoy the benefits of institutional specialization, as they might more closely align with industry-wide institutional logics than firms with an individualistic

⁶ The U.S. film industry, by comparison to the French context, appears much less institutionally fragmented, as market-oriented companies largely dominate. The few attempts Hollywood studios made to depart from a pure market-logic specialization received mixed results. For instance, Warner Bros. Pictures closed its so-called “specialty” divisions, Warner Independent Pictures, a few years after creating it.

identity orientation.

A central argument of this paper is that the now well-documented fragmented and contested nature of modern institutional environments creates challenges to organizations that go beyond individual conformity decisions. As they operate and make repeated resource allocations decisions, firms leave a trail for external audiences to observe, revealing their level of institutional specialization that signal to key audiences where they stand in the institutional space and affect their ability to sustain the reciprocal stakeholder relationships they need to survive.

Table 1. Ideal Types of Institutional Logics in the French film industry

	Professional logic	Market Logic
Societal-level logic	Profession (secondary: Family)	Market
Symbolic analogy	Profession as relational network	Market as allocation mechanism
Economic system	Personal capitalism	Market capitalism
Sources of identity	Film as art & culture Director as artist	Film as asset Producer as manager
Sources of status and legitimacy	Film aesthetics Prestigious awards Box office admissions	Film economics Firm performance Box office profits
Goals	Build art Break even	Build firm reputation Maximize returns
Basis of norms	Membership in guild	Self-interest
Focus of attention	Film historical position	Quality of deal flow
Strategy (of film production)	Build producer's reputation	Hedge risks Predict box office hits
Theory of values	Quality of craft	Mass market demand

Table 2. Descriptive statistics of Art & Essay and mainstream films

Population	Film sample	Mean value ^b	95% confidence interval		p-value of t-test ^c
Production budget (€m)	Art & Essay	3.154	2.973	3.336	0.000
	Mainstream	8.149	7.510	8.789	
Gross box office revenues (€m)	Art & Essay	1.040	0.910	1.170	0.000
	Mainstream	3.879	3.328	4.431	
Critics' ratings (full set of newspapers)	Art & Essay	3.375	3.345	3.405	0.000
	Mainstream	2.770	2.729	2.811	
Critics' ratings (auteurs newspapers) ^a	Art & Essay	3.345	3.305	3.386	0.000
	Mainstream	2.525	2.475	2.575	

Notes:

^a Sub-set of five auteurs-oriented newspapers. ^b Reviews are ranked on a scale from 1 to 4. ^c One-tailed t-tests.

Table 3. Descriptive statistics and pairwise correlations

	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Institutional specialization													
2 Logic contrast	0.12												
3 Inst. specializationXcontrast	0.98	0.30											
4 Age	-0.36	-0.20	-0.37										
5 Size	-0.01	-0.06	-0.02	0.04									
6 Economic performance	-0.16	-0.12	-0.16	0.27	0.14								
7 Artistic performance	-0.11	-0.08	-0.12	0.24	0.00	0.32							
8 Social Capital	-0.23	0.00	-0.22	0.21	0.06	0.40	0.27						
9 Fund	-0.19	-0.02	-0.19	-0.13	0.04	0.04	0.02	0.11					
10 Single film	0.32	-0.04	0.29	-0.41	-0.02	-0.09	-0.08	-0.14	-0.06				
11 Industry resources	-0.04	-0.39	-0.12	0.10	0.06	-0.07	-0.05	-0.03	0.00	0.00			
12 Industry density	-0.10	-0.82	-0.25	0.19	0.09	0.05	0.03	0.04	0.00	-0.01	0.68		
13 Industry density squared	-0.10	-0.82	-0.25	0.19	0.09	0.05	0.03	0.05	0.00	0.01	0.67	0.99	
mean	0.70	0.64	0.45	2.00	5.35	2.91	0.15	2.17	0.03	0.17	0.00	44.35	20.10
s.d.	0.42	0.07	0.28	1.90	5.72	14.29	0.70	5.66	0.17	0.37	1.00	6.56	5.67

Note: $N=7,541$, all correlations above $|.02|$ are significant at the 5% level.

Table 4. Distribution of institutional specialization observations

	All observations	Market logic	Professional logic	%
Institutional specialization = 1	4,831	2,034	2,797	64.1%
Institutional specialization < 1	2,710	-	-	35.9%
Total number of observations	7,541			

Table 5. Estimation of survival rates in the population of producer firms (Accelerated Failure Time models with Weibull distribution)

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5
Age	0.254*** (0.026)	0.308*** (0.028)	0.308*** (0.028)	0.311*** (0.028)	0.311*** (0.028)
Size	0.004* (0.002)	0.003+ (0.002)	0.003* (0.002)	0.003+ (0.002)	0.003* (0.002)
Economic performance	0.007 (0.006)	0.015+ (0.008)	0.016+ (0.008)	0.017+ (0.008)	0.017* (0.009)
Artistic performance	0.067 (0.068)	0.081 (0.074)	0.076 (0.075)	0.069 (0.074)	0.063 (0.074)
Social capital	0.023*** (0.006)	0.029*** (0.005)	0.029*** (0.005)	0.028*** (0.005)	0.028*** (0.005)
Fund	-0.890*** (0.136)	-0.610*** (0.125)	-0.608*** (0.125)	-0.620*** (0.127)	-0.620*** (0.126)
Single film	-7.081*** (0.073)	-7.261*** (0.079)	-7.260*** (0.079)	-7.268*** (0.079)	-7.266*** (0.079)
Industry resources	1.394*** (0.280)	1.386*** (0.269)	1.373*** (0.269)	0.412*** (0.098)	0.413*** (0.099)
Industry density	0.065+ (0.034)	0.064* (0.031)	0.063* (0.031)	0.054+ (0.031)	0.054+ (0.030)
Industry density sq.	-0.023 (0.048)	-0.022 (0.044)	-0.021 (0.044)	-0.014 (0.044)	-0.013 (0.043)
Year dummies	included	included	included	included	included
Institutional specialization		0.822*** (0.081)		3.029*** (0.890)	
Inst. specialization (market)			0.806*** (0.083)		2.947** (0.904)
Inst. specialization (prof.)			0.833*** (0.081)		3.105*** (0.903)
Logic contrast				10.786*** (1.903)	10.810*** (1.897)
Inst. specialization X contrast				-3.434* (1.386)	
Inst. specialization (market) X contrast					-3.335* (1.408)
Inst. specialization (prof.) X contrast					-3.535* (1.404)
Constant	7.676*** (0.534)	7.028*** (0.466)	7.027*** (0.468)	-2.129 (1.649)	-2.151 (1.620)
Ln(p)	0.184*** (0.015)	0.207*** (0.015)	0.207*** (0.015)	0.205*** (0.015)	0.205*** (0.015)
Log pseudo-likelihood	-621.18	-623.84	-623.68	-620.10	-619.90
Firms	2,277	2,277	2,277	2,277	2,277
Observations	7,541	7,541	7,541	7,541	7,541

Note: *** p<0.001, ** p<0.01, * p<0.05, + p<0.1.
Robust standard errors adjusted for firm clusters in parentheses.

Table 6. Robustness checks

VARIABLES	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Age	0.357*** (0.028)	0.411*** (0.021)	0.411*** (0.021)	0.410*** (0.021)	0.409*** (0.021)	0.407*** (0.021)
Size	0.002 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)
Economic performance	0.027** (0.010)	0.017* (0.007)	0.017* (0.007)	0.017* (0.007)	0.017* (0.007)	0.017* (0.007)
Artistic performance	0.157* (0.080)	0.111* (0.052)	0.111* (0.052)	0.112* (0.052)	0.114* (0.052)	0.116* (0.052)
Social capital	0.035*** (0.005)	0.020*** (0.003)	0.020*** (0.003)	0.020*** (0.003)	0.020*** (0.003)	0.020*** (0.003)
Fund	-0.439*** (0.122)	-0.557*** (0.089)	-0.559*** (0.089)	-0.561*** (0.089)	-0.565*** (0.089)	-0.571*** (0.089)
Single film	-7.494*** (0.085)	-6.762*** (0.056)	-6.762*** (0.057)	-6.761*** (0.056)	-6.760*** (0.056)	-6.758*** (0.056)
Industry resources	0.402*** (0.096)	0.286*** (0.065)	0.286*** (0.065)	0.287*** (0.065)	0.288*** (0.065)	0.289*** (0.065)
Industry density	0.050+ (0.029)	0.039* (0.018)	0.039* (0.018)	0.040* (0.018)	0.040* (0.018)	0.041* (0.018)
Industry density sq.	-0.010 (0.042)	-0.010 (0.026)	-0.010 (0.026)	-0.010 (0.026)	-0.010 (0.026)	-0.011 (0.026)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Institutional specialization	2.646** (0.935)	1.881** (0.597)	1.878** (0.597)	1.824** (0.597)	1.729** (0.597)	1.605** (0.599)
Logic contrast	10.630*** (1.944)	7.736*** (1.344)	7.739*** (1.343)	7.695*** (1.342)	7.613*** (1.342)	7.504*** (1.342)
Inst. specialization X contrast	-3.505* (1.452)	-2.591** (0.928)	-2.593** (0.928)	-2.532** (0.927)	-2.419** (0.928)	-2.271* (0.929)
Market specialization	1.447*** (0.164)	0.753*** (0.100)	0.757*** (0.100)	0.768*** (0.100)	0.786*** (0.100)	0.810*** (0.100)
Constant	-1.292 (1.650)	0.688 (1.144)	0.689 (1.144)	0.724 (1.144)	0.787 (1.145)	0.870 (1.147)
Ln(p)	0.221*** (0.015)	0.752*** (0.018)	0.751*** (0.018)	0.751*** (0.018)	0.751*** (0.018)	0.751*** (0.018)
Ln(the)		-2.749*** (0.102)	-2.749*** (0.102)	-2.748*** (0.102)	-2.746*** (0.101)	-2.743*** (0.101)
Unshared frailty (inv. Gaussian)	-	Yes	Yes	Yes	Yes	Yes
Decay rate	-	-	5%	10%	15%	20%
Log pseudo-likelihood	-571.46	-406.80	-407.17	-408.70	-410.99	-413.54
Firms	2,277	2,277	2,277	2,277	2,277	2,277
Observations	7,541	7,541	7,541	7,541	7,541	7,541

Note: *** p<0.001, ** p<0.01, * p<0.05, + p<0.1.

Robust standard errors adjusted for firm clusters in parentheses.

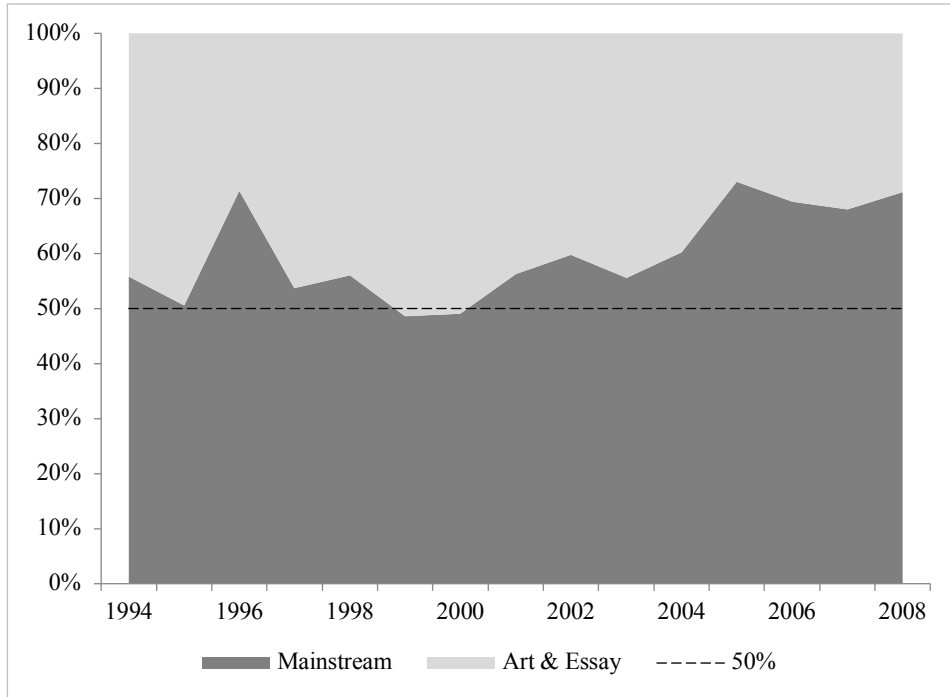


Figure 1. Shares of production resources dedicated to mainstream and Art & Essay films, 1994–2008.

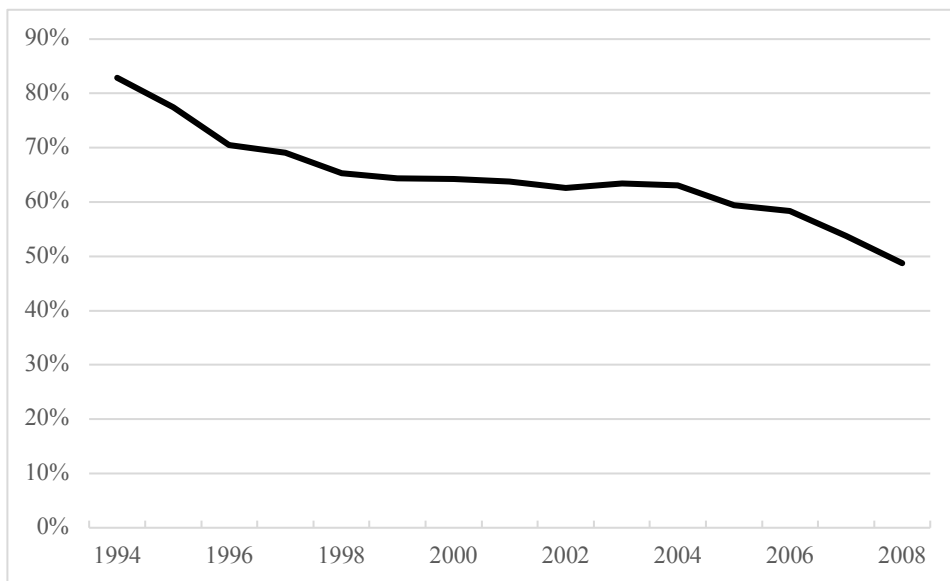


Figure 2. Proportion of fully institutionally specialized firms in the population of film producers, 1994–2008.

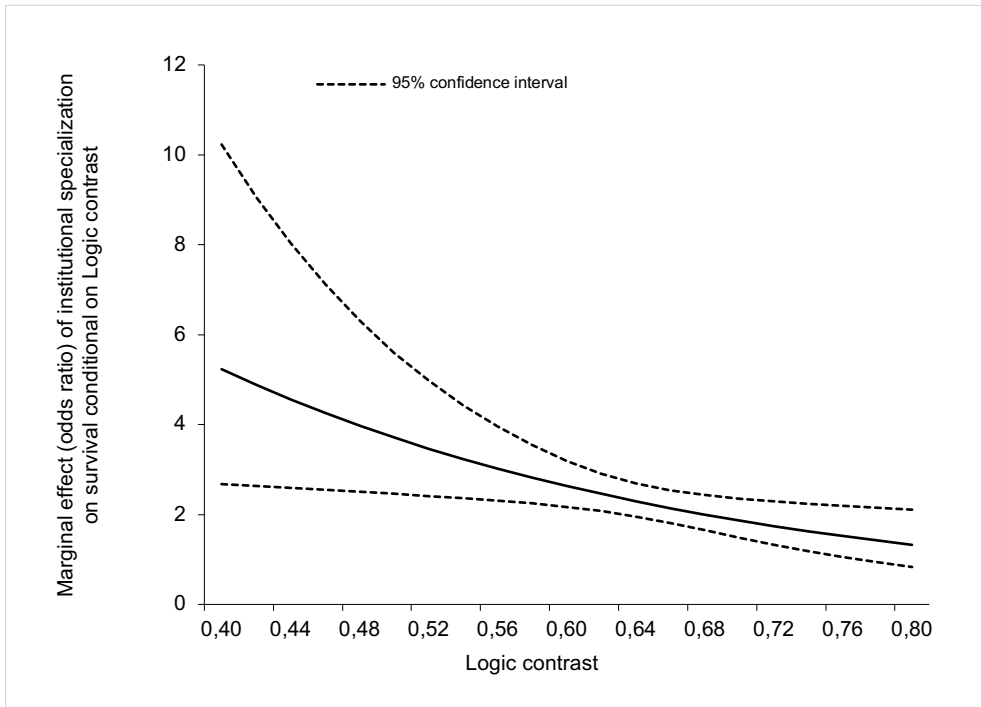


Figure 3. Marginal effect of institutional specialization (odd ratio) conditional on logic contrast at the industry level.

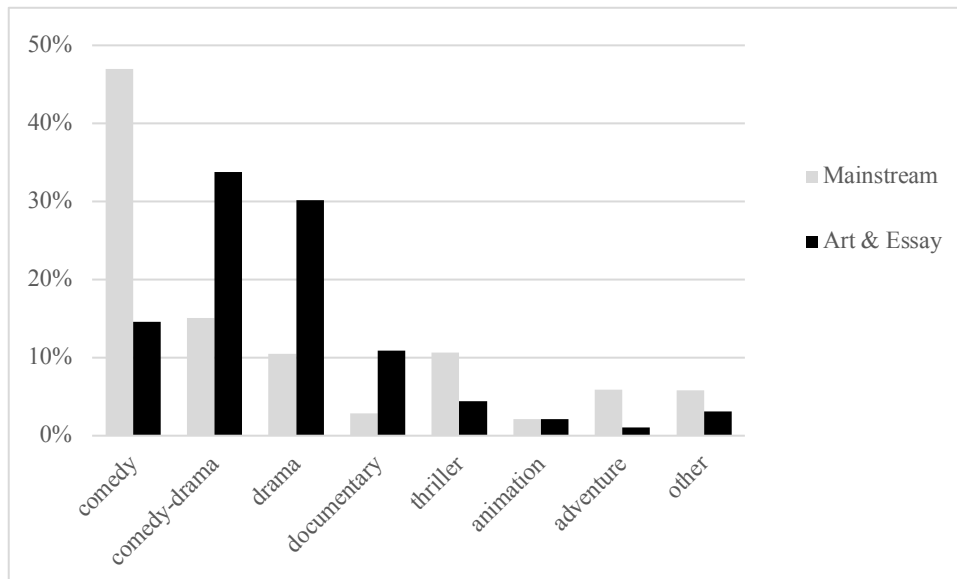


Figure 4. Distribution of Art & Essay and mainstream films by genre, 1994-2008.

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