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CORPORATE GOVERNANCE DEVIANCE

RUTH V. AGUILERA
Northeastern University and ESADE–URL

WILLIAM Q. JUDGE
Old Dominion University

SIRI A. TERJESEN
American University

We develop the concept of corporate governance deviance and seek to understand why, when, and how a firm adopts governance practices that do not conform to the dominant governance logic. Drawing on institutional theory, coupled with both the entrepreneurship and corporate governance literature, we advance a middle-range theory of the antecedents of corporate governance deviance that considers both the institutional context and firm-level agency. Specifically, we highlight the centrality of a firm's entrepreneurial identity as it interacts with the national governance logic to jointly create corporate governance discretion (i.e., the latitude of accessible governance practices) within the firm. We argue that as a firm's governance discretion increases, it will be more likely to adopt overconforming or underconforming governance practices that deviate from established norms and practices. Moreover, we propose that adopting a deviant corporate governance practice is contingent on the governance regulatory environment and a firm's corporate governance capacity. We conclude by advancing a new typology of corporate governance deviance based on a firm's over- or underconformity with the dominant national logic, as well as its entrepreneurial identity motives. This globally relevant study refines and extends comparative corporate governance research and enriches our current understanding of the institutional logics perspective.

In most comparative governance research, there is the assumption that national institutions determine firm-level corporate governance practices (Aguilera & Jackson, 2003; La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). Recently, however, scholars have begun to document that some firms' practices do not always acquiesce to these pressures (Bednar, Love, & Kraatz, 2015; Chizema, Liu, Lu, & Gao, 2015). Remarkably, this literature has not yet focused much on the logically prior questions of *why*, *when,* and *how* firms are likely to deviate from an economy's legitimate governance practices and to adopt practices that are nonconforming.

The extant literature also fails to account for the fact that some firms deviate by adopting governance practices that fall short of the country's governance standards (they underconform), whereas other firms deviate by exceeding these prevailing governance norms (they overconform). For example, consider the corporate governance practice of board composition in the context of the U.S. shareholder–oriented logic. In spite of the prevailing logic that U.S.-based boards should be composed of a majority of outsiders, some pre-IPO firms operate with a majority of insider directors, thereby underconforming with respect to the dominant governance logic (Garg, 2013). Conversely, other firms have removed all inside directors except the CEO and have overconformed to prevailing norms (Joseph, Ocasio, & McDonnell, 2014). We refer to both of these situations of intentional deviations from standards set by the legitimate practices and normative expectations

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advanced by the dominant national governance logic as *corporate governance deviance*.

To understand why, when, and how firms engage in governance deviance, we develop a middle-range theory of corporate governance deviance that draws on institutional research and turns our attention to the notion of entrepreneurial identity. Although there is a rich body of literature in institutional theory on the complexity of the institutional field (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011), institutional pluralism (Kraatz & Block, 2008), and the presence of coexisting institutional logics (Thornton, Ocasio, & Lounsbury, 2012), we are primarily interested in the firm's *agentic* deviant behavior within the context of the prevailing country-level governance logic. By stipulating this boundary condition, we are able to push forward the classic debate in institutional theory regarding the tension between the dominant institutional pressure and agentic behavior (Zucker, 1991) and encourage the empirical testing and falsification of this debate.

The institutional literature has made impressive strides in enhancing our understanding of organizational behavior and outcomes, but we believe it has become too centered on institutional forces and, in turn, pays less attention to organizational forces. In effect, DiMaggio and Powell (1991) long ago urged institutional scholars to bring organizational agency and interests back into the study of institutional processes to better delineate the link between micro and macro levels of analysis. Recently, Greenwood, Hinings, and Whetten (2014) criticized the institutional literature for focusing too much on external institutional forces and neglecting our understanding of organizational agency, and we concur with their viewpoint.

Thus, in this article we advance an organizational agentic-based view of an institutional pressure to conform by advancing a middle-range conceptual model that explains the antecedents of organizational deviance. In particular, our framework seeks to uncover the precursors of corporate governance deviance within the context of a specific national governance logic. To do so, we integrate national-level forces and firm-level sociocognitive agentic behavior and seek to explain why most but not all firms conform to institutional pressures. We rely on the sociocognitive stages of agency (Thornton et al., 2012), yet we place the concept of entrepreneurial identity (Fauchart & Gruber, 2011; Navis & Glynn, 2010) at the core of our process model. We conceptualize entrepreneurial identity as the organizational self-claims associated with the willingness to take risks, be proactive, and seek innovation. Our fundamental insight is that the centrality of a firm's entrepreneurial identity is the key trigger of governance deviance because it grants more meaning to deviant behavior than the meaning provided by the prevailing governance logic.

To work with the construct of deviance, we depart from the seminal sociological understanding of deviance behavior (Merton, 1938) as an individual action that violates social norms, including formally enacted rules and informal nonconformity. While Merton (1968) also utilized a middle-range approach to develop his strain theory of socially deviant behavior by individuals, more recent organizational research has expanded on Merton's work by exploring organizational deviance as a creative opportunity (Mainemelis, 2010). We build on extant research on organizational deviance (Heckert & Heckert, 2002; Mitchell & Ambrose, 2007; Spreitzer & Sonenshein, 2004; Warren, 2003) to characterize corporate governance deviance as a firm's *intentional* adoption of governance practices driven by its entrepreneurial identity.

Our conceptual argument to understand the source, evolution, and ultimate form of governance deviance is based on the following three stages in the sociocognitive process toward deviant behavior (Thornton et al., 2012). First, we maintain that firms go through an *awareness* stage where they begin to recognize alternative governance practices. Second, we argue that firms in which entrepreneurial identity is more central to their core identity consider a greater range of practices and move to a stage where deviance becomes more *accessible* than do firms in which entrepreneurial identity is less central. Third, we claim that a deviant practice is more likely to be adopted in the *activation* stage, when governance discretion falls outside the legitimate practices specified by the prevailing governance logic. In addition, based on the comparative governance literature, we believe that two contingencies are likely to influence the activation of governance deviance: (1) the extent of regulatory enforcement within the dominant governance logic and (2) firms' governance capacity to implement new governance practices. We conclude by advancing a typology of corporate governance deviance in which we posit that firms' entrepreneurial identities define their motives for engaging in nonconforming practices—allowing us to refine our notion of deviance through over- and underconformity.

Based on these core claims, we make several contributions in this multilevel study of governance deviance. First, we push the frontiers of comparative corporate governance research by proposing a more holistic yet nuanced categorization of dominant governance logics present in a wide variety of national economies. Second, we enrich and extend institutional research by examining the coalescence of firm entrepreneurial identity as the primary driver of organizational agency, with institutional pressures to conform. Third, we respond to calls for more contextually embedded examinations of entrepreneurship (Bowen & De Clercq, 2008) and connect those insights to the deployment of governance practices. Finally, we advance a new typology of corporate governance deviance that can guide future research.

THEORETICAL FOUNDATIONS

In this section we present the building blocks of our conceptual model. We begin by discussing how the prevailing national logic translates into a single dominant governance logic within each national context by combining economic sociology with comparative governance literature. We also articulate the primary boundary condition underlying our middle-range theory of corporate governance deviance. We then refine and extend the institutional logics perspective (ILP; Thornton et al., 2012) by describing the stages of the sociocognitive process that we draw on to explain why firms adopt deviant governance practices.

From Institutional Logics to National Governance Logics

Institutional logics are the socially constructed assumptions, values, beliefs, formal and informal rules, and practices that equip organizations with a toolkit to interpret their experiences, direct their attention toward specific choices, define future goals, and limit their potential organizational choices (Berger & Luckmann, 1966; Friedland & Alford, 1991; Thornton et al., 2012). Thus, institutional logics directly shape organizational action through the process of category identification and attention structuring. Although logics operate at different levels, we draw on Friedland and Alford's (1991: 232) foundational thesis that *societal institutions* and their underlying institutional logics influence organizational interests. We agree with their central premise that national-level logics are the key institutional-level mechanism defining normative and regulative organizational governance practices (Doidge, Karolyi, & Stulz, 2007), as well as prescribing social legitimacy norms (Aguilera & Jackson, 2003).

Ample research has demonstrated that nation-state institutional logics strongly affect organizational outcomes and their legitimation. Examples include the organization of railroads (Dobbin, 1994) and interorganizational learning effectiveness across technological areas (Vasudeva, Alexander, & Jones, 2015). These studies demonstrate the nontrivial role of national institutional logics, illustrating that organizations tend to adopt nationally scripted practices and operate within an acceptable *zone of conformity*[1] (Bundy & Pfarrer, 2015: 353). We define organizational behavior and practices falling within the zone of conformity as those that adhere to the dominant legitimate logic.

A challenge in comparative corporate governance research has been to advance existing typologies of corporate governance systems beyond the shareholder-stakeholder–oriented models (Aguilera & Jackson, 2010) in order to include emerging and transition markets that occupy an increasingly large portion of today's global economy. We draw on notions of national institutional logics from political economy and economic sociology (Smelser & Swedberg, 2010) to derive four ideal-type *national governance logics* pertaining to how firm resources and authority are created, retained, and distributed within a national setting.

In particular, we seek to expand the shareholder-stakeholder dichotomy to propose that the pillars of state, market, and society shape one another historically in significantly different ways that, in turn, generate unique country-level institutionalized logics. Indeed, O'Riain (2000) combined these three pillars to identify four types of national

[1] We see "zone of conformity" as similar to what Simon (1945) referred to as a "zone of acceptance," Barnard (1938) discussed as a "zone of indifference," and Rindova, Pollock, and Hayward (2006) articulated as a "range of acceptability." We restrict its meaning to be relative to a specific dominant governance logic.

economies: a *liberal* type that promotes market dominance, a *social rights* type that sets social limits to market strategies, a *developmental* type in which market strategies are coordinated by the state and society, and a *socialist* type in which the state seeks to retain power and subsume market and society. We propose that each of these four national institutional logics embraces a distinct governance logic capturing the rights and responsibilities of different stakeholders in the firm, as well as the salience of each pillar.

The liberal country type endorses a *shareholder-oriented governance logic,* where the market defines the firm's primary goal and its governance, prioritizing the maximization of shareholder value (Shleifer & Vishny, 1997) to provide firms with legitimacy. This logic is predominant in Anglo-Saxon countries. Countries assigned to this type follow detailed and precise binding governance regulation (i.e., "hard law"), such as the U.S. Sarbanes-Oxley Act of 2002.

The social rights country type adopts a *stakeholder-oriented governance logic*, where the primary goal of the firm and its governance is to balance the interests of all stakeholders involved in the firm (Jackson, 2005). Several economies within Western Europe, such as Germany, Sweden, and Spain, follow this governance logic. These countries tend to enact more flexible governance regulation based on "comply or explain" codes of good governance, which exert normative pressure to adopt certain practices in line with the country's governance logic (Aguilera & Cuervo-Cazurra, 2004; Zattoni & Cuomo, 2008).

The developmental country type adopts a *relational-oriented governance logic,* where the firm's primary goal is to contribute to the country's economic development. This hybrid governance logic aspires to incorporate values, norms, and beliefs from the stakeholder and shareholder governance logics but has also historically nurtured strong relational ties to other economic actors to which it must attend (Chang, 2003; Schneider, 2013). Countries with a relational logic are likely to develop more flexible, multitiered norms, such as the varying levels of governance requirements offered to firms listed on the Brazilian stock exchange or different normative expectations for South Korea's core (chaebols) versus peripheral firms.

Finally, the socialist country type adopts a *statist-oriented governance logic,* where the primary goal of the firm and its governance is to perpetuate state authority and power in the overall economy (Pearson, 2005). To ensure its fulfillment, prototypical countries such as China and Russia function within an ostensibly free market economic system, yet the state is the dominant actor through direct ownership or indirect influence (Inoue, Lazzarini, & Musacchio, 2013; Lin & Milhaupt, 2013).

In the interest of conceptual clarity, we make a simplifying assumption that each country operates under a single dominant corporate governance logic for all domestic firms or foreign subsidiaries operating within a given national territory. This boundary condition enables us to pursue a falsifiable middle-range theory of governance deviance. This assumption is conceptually supported by Besharov and Smith's (2014) argument that all nations operate with a multiplicity of logics but there is always a single logic that dominates all others. It is also empirically corroborated by Jones, Maoret, Massa, and Svejenova's (2012) study of the rise of modern architecture, whereby firms adhere to a single national-level dominant logic to defend their modus operandi. Of course, all organizations navigate within multiple governance logics to a certain extent (Greenwood et al., 2011; Pache & Santos, 2010). This is particularly true within the field of comparative corporate governance where foreign logics sometimes compete for dominance with the prevailing national logic (Djelic & Quack, 2010). However, the nation-state remains the sovereign entity in today's social order, and this simplifying assumption enables us to focus on the interplay between a national dominant governance logic and firm agency in the selection of a particular governance practice.

A dominant governance logic defines how firms are expected to conduct themselves if they seek to gain legitimacy through both their internal corporate governance practices (e.g., the role of the board, managerial incentives, and internal controls) and their responses to external governance mechanisms (e.g., the market for corporate control, media influence, and external auditing; Aguilera, Desender, Bednar, & Lee, 2015). In sum, while we argue that firms generally conform to the dominant governance logic because of the considerable pressures to be perceived as legitimate (Zimmerman & Zeitz, 2002), not all firms seek institutional legitimacy above all else (Oliver, 1991). In the following section we seek to explain why some firms deviate from the norms established by the dominant governance logic in which they are embedded.

The Intersection Between Institutional Logics and Agentic Behavior

As suggested above, a classic challenge within organizational theory is to resolve the tension between institutional pressures and *agentic* behavior (DiMaggio, 1988). The ILP reasons that all agency, including organizational agency, starts with "situated awareness." Specifically, most organizations' awareness is driven by top-down attentional processes whereby organizations largely conform to the prevailing institutional logic (Meyer & Scott, 1983). In contrast, some organizations' awareness is shaped by a combination of both top-down and bottom-up attentional processes. In the latter, more complex case, organizational agency is possible when the organization's identity claims conflict with the prevailing logic (Friedland & Alford, 1991).

The ILP offers a framework composed of three stages leading to organizational agency (Thornton et al., 2012). In the first stage, when the organizational identity claims conflict with the prevailing logic, the organization becomes *aware* of alternative courses of action and the potential for agency. In the second stage, if the conflict between the organization's identity and the prevailing logic is pronounced enough, the opportunity for organizational agency becomes enhanced—what Thornton et al. refer to as being "readily *accessible* to attend to salient environmental stimuli" (2012: 92, emphasis added). However, accessibility does not guarantee the third stage, which is *activation*. ILP theorists attribute activation of the agentic behavior to situational misfit between the institutional logic and the nature of the organizational decision to be taken. These three sociocognitive stages help us unpack the dynamics behind organizational agency, and we elaborate on them in the remainder of this article.

Although the ILP has provided valuable insights concerning when organizational agency can occur for some organizations but not others within the same institutional context, it is fairly vague as to specifying how and when the microfoundations of cognition unfold within organizations. There is also limited exploration about the sociocognitive processes of awareness, accessibility, and activation. Thus, most previous research has examined conflicting coexisting institutional pressures within the institutional environment and treated the sociocognitive processes operating within the firm as a "black box" (e.g., Joseph et al., 2014; Lee & Lounsbury, 2015; Navis & Glynn, 2010). Hence, there is a need to refine ILP insights into explicit organizational processes, since organizational scholars need a deeper understanding of the specific antecedents of organizational practices (Greenwood et al., 2014).

Relatedly, because organizational identity is a wide-ranging construct to attach organizational action to, the actual catalyst of organizational agency is largely unspecified (Albert & Whetten, 1985). In this article we also draw from the entrepreneurship literature to better explain and predict the adoption of governance practices that do not conform to prevailing norms and practices. Specifically, we conceptualize the adoption of deviant corporate governance practices as an entrepreneurial act infused with meaning and expression of self-identity.

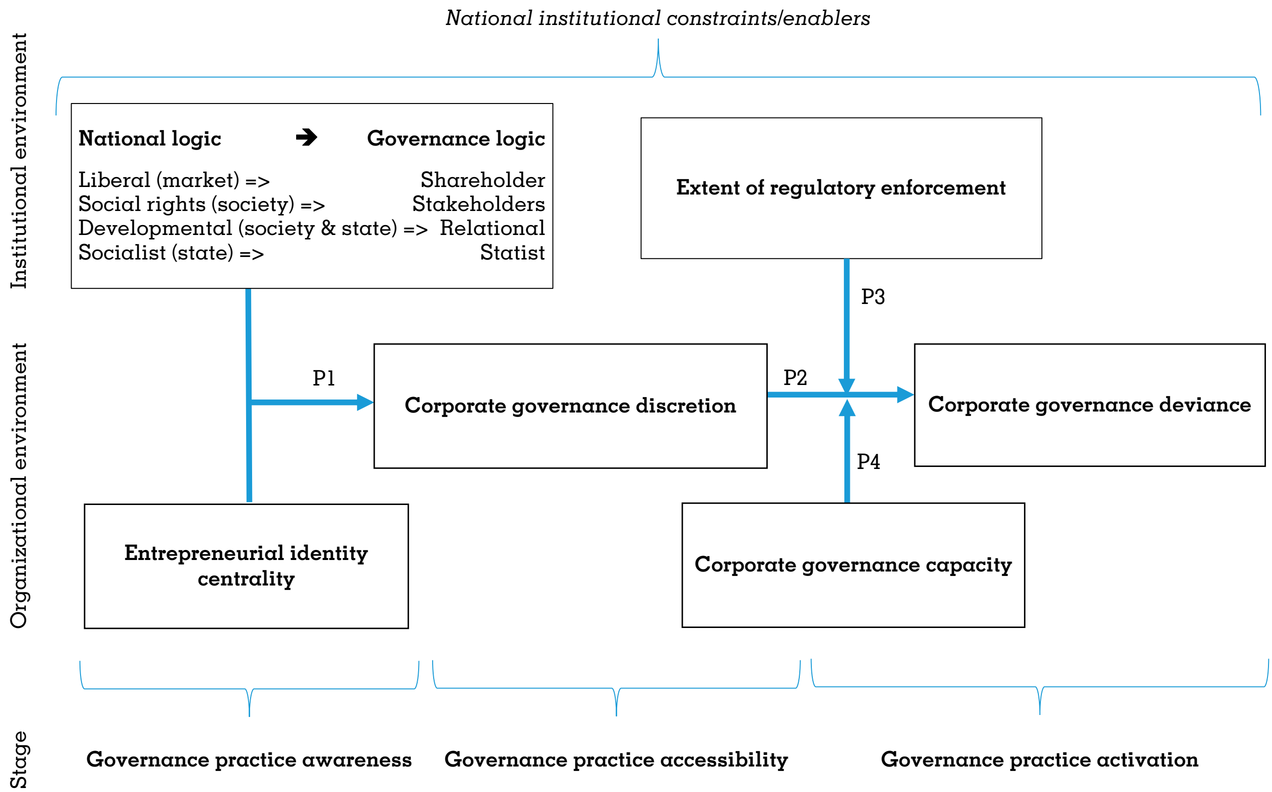
SOCIOCOGNITIVE PERSPECTIVE ON CORPORATE GOVERNANCE DEVIANCE

Based on the theoretical foundations articulated above, we are now properly positioned to lay out our theoretical model explaining corporate governance deviance. Figure 1 graphically summarizes the combined institutional- and organizational-level factors central to our model.

Competing Forces for Meaning and Governance Discretion

We begin with the two dimensions that vie for a firm's attention: (1) the top-down institutional logic that exerts pressures to conform in order to achieve social legitimacy and (2) the bottom-up organizational values, meanings, and goals that interpret external pressures and weigh those imposed norms against a firm's identity claims. In essence, the identity claims of the dominant governance logic are in conflict with the organization's identity. For firms to resist institutional conformity pressures, they must first become aware of alternative practices and behaviors that do not conform to the prevailing logic. In our context, we label this stage *governance practice awareness,* as shown in the bottom of Figure 1.

FIGURE 1
Middle-Range Model of Comparative Corporate Governance Deviance



Institutional researchers contend that awareness occurs through organizational identity claims, and it is well established that organizational identity is the primary filter by which a firm makes sense of and responds to institutional pressures (Kodeih & Greenwood, 2014). According to Ashforth, Rogers, and Corley (2011), the organization's identity and the institutional environment are reciprocally tied to each other, whereby firm-level identity claims either conform to or deviate from the prevailing institutional norms.

Furthermore, Ashforth et al. (2011) astutely argued that institutional norms typically allow for some discretion, but this range of behavior has its limits. With respect to corporate governance practices, Golden-Biddle and Rao (1997) observed that organizational identity drives perceptions and behavior within the boardroom, where governance practices are deliberated and chosen. Similarly, Cannella, Jones, and Withers (2015) described how family firms' organizational identity greatly influences their governance choices. In other words, identity conflicts between the prevailing logic and potential organizational practices are likely to trigger the consideration of alternative logics within the organization (Seo & Creed, 2002).

However, organizational identity is a rather broad construct, and institutional research is relatively silent as to which specific identity claims matter to make agentic behavior possible. The entrepreneurship literature is instructive here, with its recent focus on *entrepreneurial identity* as an important subdimension of organizational identity that influences subsequent opportunity perceptions and guides entrepreneurial actions. Navis and Glynn defined entrepreneurial identity as "the constellation of claims around the founders, organization, and market opportunity of an entrepreneurial entity [organization] that gives meaning to questions of 'who we are' and 'what we do'" (2011: 480), and they argued that "conformity to established standards is antithetical to entrepreneurship, which tends to be more concerned with novelty, distinctiveness, and nonconformity" (2011:

479). They also noted that firms vary in their awareness of the possibilities of digressing from established norms.

In related work Fauchart and Gruber (2011: 938), drawing on the theory of social cognition, demonstrated that entrepreneurs' conceptions of their social selves (i.e., entrepreneurial identities) are "manifested in their social motivations, bases of self-evaluation, and views of the relevant social groups," which, in turn, imprint organizational decision making. Against the backdrop of this research, we argue that the centrality of an organization's entrepreneurial identity as part of its overall organizational identity is the missing link in explaining the source of agentic behavior given isomorphic pressures.

The construct of entrepreneurial identity was originally developed in the context of individual founders and new entrepreneurial ventures. Yet we believe that it is a useful construct to apply to the overall organizational self-concept, since it refines the specifics of organizational identity related to proactiveness and willingness to innovate and/or ignore prevailing norms. Indeed, previous research has repeatedly shown that social actors who either see themselves as excluded from the majority or are confident enough to separate themselves from others are most likely to avoid conforming to the status quo (Phillips & Zuckerman, 2001). As such, an organization's entrepreneurial identity that is relatively central to the overall organizational identity makes it much more likely to take risks and/or have the confidence to pursue unproven ideas and practices (Navis & Glynn, 2011).

In addition, we claim that entrepreneurial identity is applicable to all organizations that are early adopters of nonconforming practices. As Miles and Snow (1978) cogently argued, every organization in existence must address its own unique entrepreneurial problem. These researchers showed that even though defender-type organizations are not known for their entrepreneurial instincts and practices, they still must develop an entrepreneurial identity consistent with the defender lens to effectively address their entrepreneurial challenges.

Of course, some firms possess multiple identities, with some identities being more central, or coherent, than others (Patvardhan, Gioia, & Hamilton, 2015). Clearly, organizations whose entrepreneurial meaning of self-concept is more central to their organizational identity are more likely to found a new venture (Hoang & Gimeno, 2010). As a firm becomes more established, its entrepreneurial identity is often challenged by other identities (Gioia, Patvardhan, Hamilton, & Corley, 2013). Hence, the firm's ability to maintain a highly centralized entrepreneurial identity is a key determinant of the adoption of new practices.

In effect, some organizations, such as new entrepreneurial ventures, may have highly centralized entrepreneurial identities, whereas other organizations, such as highly regulated and bureaucratic organizations, may possess relatively peripheral or nonexistent entrepreneurial identities (Haynie, Shepherd, Mosakowski, & Earley, 2010). For example, Wright, Hoskisson, Busenitz, and Dial (2000) noted that entrepreneurially minded managers seeking to maintain the entrepreneurial identity of their firms will rely more extensively on heuristics and individual beliefs, whereas managers who are less invested in their firms' entrepreneurial identity typically depend on systematic decision making that draws heavily on precedents established by other organizations. In this regard, we would expect that the former are more likely to develop awareness of practices outside of the prevailing norms, while the latter are more likely to conform to the status quo.

In addition, Webb, Tihanyi, Ireland, and Sirmon (2009) argued that firms with more centralized entrepreneurial identities are relatively alert to new practices and opportunities, even if they are not perceived by outsiders to be legitimate with respect to existing institutional norms. Further, these researchers described how the impetus for this opportunity recognition comes from the firms' entrepreneurial drive to create more efficient and effective means and/or ends. Once again, we observe that an organization's entrepreneurial identity enables it to consider alternatives to established practices, even when those standard practices are perceived as underconforming to norms set by the institutional environment.

As depicted in Figure 1, the initial stage of awareness of the potential for adopting nonconforming governance practices does not automatically lead to adoption, because departure from established institutional norms can reduce a firm's social legitimacy (Judge, Douglas, & Kutan, 2008) and, in turn, can threaten its survival. In sum, the firm's entrepreneurial identity broadens its awareness of governance practices outside the prevailing governance logic and therefore expands the range of possibilities that the firm might consider; all firms possess an entrepreneurial identity, but only a select few make that identity central to their organizational identity.

Corporate governance discretion. We next draw on Hambrick and Finkelstein's (1987) construct of managerial discretion, which they conceptualized as the "theoretical bridge" between the firm's external and internal constraints, coupled with its executives' human agency. We apply this construct to the comparative governance literature by proposing that although the prevailing governance logic prescribes certain governance practices as legitimate, thereby constraining the realm of legitimate governance practices, a firm's entrepreneurial identity prompts the consideration of governance practices that exceed or fall below established legitimacy norms. We argue that the prevailing governance logic and the firm's entrepreneurial identity interact with each other to yield *corporate governance discretion,* which we define as the firm's cognitive latitude of action to consider the adoption of a deviant governance practice. In other words, governance discretion is a set of possible governance practices that are contemplated, some within and others outside the zone of conformity, as specified by the prevailing governance logic.

In sum, governance discretion is the by-product of two different forces. On the one hand, agentic organizational characteristics such as experience, scanning, and insight can expand discretion (Hambrick & Finkelstein, 1987: 373), which, we argue, emanates from the firm's entrepreneurial identity. On the other hand, the normative context delineates the legitimate range of behaviors as specified by the prevailing governance logic. Indeed, Phillips and Zuckerman (2001) showed how the notion that "context matters" is an important new insight advanced to help us better understand social conformity dynamics. Thus, a firm's entrepreneurial identity offers a catalyst for becoming more aware of a broader set of governance practices beyond those that are legitimated by the prevailing governance logic. As Pache and Santos (2013) argued, in the absence of awareness, accessibility is not even an option for a firm. In light of these arguments, we propose the following.

> *Proposition 1: The more central a firm's entrepreneurial identity is to its overall organizational identity, the greater will be its corporate governance discretion to consider nonconforming practices with respect to a dominant governance logic.*

From Governance Discretion to Governance Deviance

Governance discretion provides the set of potential actions that are accessible as cognitive choices driven by a firm's entrepreneurial identity, and will determine whether a firm is likely to follow inertial versus strategic choices when evaluating governance practices. Yet the *accessibility* of alternative governance practices will not automatically determine the *activation* or adoption of new governance practices outside the existing logic. However, governance discretion will make actual deviance much more likely.

Organizational researchers recognize that managers have discretion but that they are also confined by institutional pressures and legitimacy norms. For example, Hambrick and Finkelstein stated that "a manager's discretion has no rigid bounds: it is limited in part by his or her own awareness and repertoire, as well as by constraints that are largely unstated and untested rather than explicit" (1987: 371). Deephouse discussed this interplay between discretion and legitimacy in his thesis that "firms seeking competitive advantage should be as different as *legitimately* possible" (1999: 148, emphasis added). Similarly, Crossland and Hambrick (2007, 2011) illustrated the role of national-level institutions in demarcating managerial discretion and assumed that boundaries on managerial actions mostly conform to the prevailing logic.

In this article we challenge this automatic conformity assumption and extend the construct of governance discretion to include nonconforming practices. In particular, we argue that organizations might adopt corporate governance practices that fall outside the zone of conformity prescribed by the prevailing governance logic. We identify these nonconforming governance practices adopted outside the zone of conformity as deviant governance practices.

A certain degree of governance discretion is a necessary cognitive condition for an organization to adopt a deviant governance practice. For governance deviance to be activated, a firm must first experience cognitive dissonance between the prevailing governance logic and the firm's entrepreneurial identity and goals. Therefore, governance deviance activation is only possible when organizations do not slavishly adhere to a particular logic (Besharov & Smith, 2014). In effect, as governance discretion increases, a firm becomes more likely to activate an alternative and accessible governance logic or the combination of the existing logic with goals and schemas outside the established zone of conformity (Seo & Creed, 2002).

The activation of governance deviance is possible because firms can cognitively envision a future that challenges the prevailing governance logic (Thornton et al., 2012), owing to incongruence with their intrinsic entrepreneurial identity and the awareness of other available and accessible practices. Supporting this argument, Cho and Hambrick (2006) showed in the airline deregulation context that firms with a more entrepreneurial attentional perspective are more likely to activate other strategies that they have become aware of, even when these choices may be less accessible (nonconforming). Likewise, Glynn (2000) demonstrated how a symphony orchestra can shift from the most accessible aesthetic logic to a blend of "also present but less accessible" market logic driven by commercial motives. The key issue here is that the entrepreneurial identity needs to be salient enough to provide awareness of the opportunity and increase the likelihood that a firm will consider a source of action beyond the zone of conformity. Thus, greater governance discretion makes a wider range of governance choices accessible and increases the likelihood of adopting deviant governance practices.

The American supermarket chain Whole Foods illustrates how governance discretion enables governance deviance within the shareholder-oriented dominant logic. This iconic firm has a long corporate history of envisioning relatively high governance discretion in compensation practices, often in the name of "conscious capitalism." Even though Whole Foods is embedded in a shareholder-oriented governance logic, its compensation practices are much more aligned with the stakeholder governance logic. For example, we would argue that a deviant governance practice, such as capping the co-CEOs' salaries at nineteen times the average employee salary (Rubin, 2010), is triggered by its entrepreneurial identity to be relatively open to deviate, which leads to the accessibility of different practices and expands its governance discretion.

Conversely, in the context of the statist governance logic, there is the example of one of China's largest banks, Agricultural Bank of China, known for its distinct entrepreneurial identity based on new technologies (*Bloomberg,* 2014). This state-owned bank reports remarkably low executive salaries, even by Chinese compensation standards. We posit that it possesses the governance discretion to consider compensation practices that fall outside the prevailing logic's zone of conformity and is, thus, more likely to adopt deviant practices. In light of these arguments and illustrations, we propose the following.

> *Proposition 2: The greater the corporate governance discretion, the more likely a firm will be to adopt a deviant governance practice within a dominant governance logic.*

We now turn to two key contingencies that are predicted to moderate the governance discretion–governance deviance relationship. The first moderator, regulatory enforcement, works at the country level and is expected to be an important modifier of governance logic. The second moderator, governance capacity, operates at the firm level and seeks to evaluate the ability to implement, beyond the cognitive latitude and accessibility of the opportunity. Figure 1 illustrates these two contingencies.

The Contingent Influence of the Extent of Regulatory Enforcement

Regulatory enforcement is an essential institutional dimension that influences all economic exchanges and can vary substantially from economy to economy (North, 1990). Although previous comparative corporate governance research has traditionally focused on the influence of the type of legal system (La Porta et al., 2000), more recent studies note that the *extent* of regulatory enforcement may be a more important determinant of corporate behavior. We follow Banerjee (2011: 161) in defining the extent of regulatory enforcement as the degree to which government monitoring is consistent and the severity of punishment for violating rules and laws is predictable.

Pache and Santos (2010) identified regulatory authorities as a key contextual contingency that can coerce organizations into behaving in a certain way because of their legal power and, thus, can affect a firm's compliance or noncompliance with socially desirable practices. The extent of regulatory enforcement matters because it varies across countries, while the de jure content of national laws tends to be more homogenous (Malik, 2014). Since corporations are legally sanctioned by the state, the regulatory environment represents a critical set of institutional pressures that create accountability standards and enforce legitimacy norms for organizational practices (Edelman & Stryker, 2005) and, consequently, should influence a firm's adoption of deviant corporate governance practices.

When firms have access to a wider array of governance practices (i.e., greater corporate governance discretion), their chosen governance practice is still likely to be contingent on how strict and "rule-like" the regulatory enforcement is. Consequently, a firm might be interested in adopting a novel governance practice leading to deviance from the national governance logic; however, the regulatory sanctions may be extensive, predictable, and costly if the adopted governance practice falls outside the zone of conformity. In contrast, a looser enforcement of governance regulation might provide fuzzier normative pressure, weak coercive power, or no consequences whatsoever for a firm that is aware of and considering the adoption of an accessible deviant governance practice.

The extent of regulatory enforcement is shaped by political (Roe, 2003) and cultural (Licht, in press) institutions, and it varies across the four distinct governance logics. In economies where shareholder-oriented governance logic prevails, corporate governance regulation is typically explicit and the coercive sanctions for violating regulations are precise (Abbott & Snidal, 2000). This "hard law" governance regulation is usually strictly and predictably enforced, with severe sanctions for transgressors (Beck, Demirgüç-Kunt, & Levine, 2000). However, in social rights economies following a stakeholder-oriented governance logic, corporate governance regulation allows for more variation through "soft law," such as codes of good governance that are nonbinding (Aguilera & Cuervo-Cazurra, 2004) and normatively enforced and where coordination among affected parties is encouraged (Aguilera & Jackson, 2003). Societal normative pressures are more salient and a wider compliance variation is negotiated. Finally, there are economies where the governance rules and regulations exist, but quasi-legal and illegal transgressions are idiosyncratically addressed outside coercive or normative regulatory mechanisms. Such a situation is often found in economies dominated by relational and statist governance logics. Economies in this context can be described as "limited law" regulatory environments (Abbott & Snidal, 2000).

To properly identify our theoretical model of corporate governance deviance, as shown in Figure 1, we incorporate the *extent of regulatory enforcement* by looking at the influence of three regulatory types found in the four logics: hard law's strict regulatory enforcement, soft law's flexible regulatory enforcement, and limited law's lax regulatory enforcement. We expect that in firms operating in economies operating with a hard law approach, it is more difficult to not comply with the relatively explicit and consistently applied normative standards.

In contrast, the soft law regulatory environment accounts for the adoption of practices outside the zone of conformity, and the law deliberately permits a range of acceptable practices without prescribing a rigid set of practices. For example, as Cioffi states, "In contrast with the litigation-prone American model, the German corporate governance regime factored negotiation within the institutional framework of the corporation rather than enforcement of rights through adjudication" (2010: 81). Thus, in this case the stakeholder-oriented governance logic allows practices outside the zone of conformity, but these would be categorized as not complying with norms.

In the context of relatively lax regulatory enforcement that can be characterized as one where regulatory voids are common and standards are obtuse, there is a highly constrained or nonexistent will to prosecute and implement sanctions in a consistent fashion (Jackson, 2007). Put plainly, firms operating in such a governance environment might easily consider the adoption of a governance practice incongruent with existing rules and laws, and they are unlikely to be inhibited or even stopped by the law because of its weak enforcement.

Illustrating these differences in the context of regulation regarding disclosure of executive compensation, the United States' shareholder-oriented governance logic is prescriptive and explicit as to how executive compensation should be disclosed: all listed firms must abide by those regulations or they will suffer swift and extensive financial penalties (Securities & Exchange Commission, 2015). As a result, firms are less likely to deviate from compensation disclosure regulations within this governance environment. In contrast, since 2010, Brazil's economy has operated within a limited law regulatory environment requiring all publicly listed firms to disclose the compensation of top executives and board members, but more than one-quarter of the firms ignore this disclosure requirement (Barros, da Silveira, Bortolon, & Leal, 2015). In sum, even if a firm has a reasonably wide governance discretion with an interest in adopting a deviant governance practice, it will be less likely to adopt that practice if the country's regulatory enforcement is explicit and coercive rather than flexible or limited. Hence, we propose the following.

> *Proposition 3: The extent of regulatory enforcement negatively moderates the corporate governance discretion–governance deviance relationship within a dominant governance logic.*

The Contingent Influence of the Corporate Governance Capacity

The entrepreneurship literature argues that all value-creating entrepreneurial activity first requires the ability to recognize an opportunity and then to exploit that opportunity (Alvarez & Barney, 2005). This is consistent with the ILP, whereby all deviation begins with awareness created by identity claims, leading to accessibility and then activation. An entrepreneurially oriented firm's chances of actually exploiting an opportunity or transitioning from accessibility to activation are greatly enhanced by possessing or having access to the necessary tangible and intangible resources or "capital" (Brush, Greene, & Hart, 2001).

Some firms, particularly mature ones, have an extensive capacity to deviate from established norms and practices if they so choose. For example, Zahra (1996) demonstrated that both financial liquidity and long-term institutional ownership levels within established firms are positively associated with corporate entrepreneurship in developed economies. Similarly, Filatotchev, Wright, Buck, and Dyomina (1999) reported that firms in transition countries possessing the necessary financial, human, and social capacity to restructure the enterprise tend to be more responsive to market pressures and are rewarded in the global economy when they act more entrepreneurially.

Other firms, particularly start-up enterprises, tend to work with very limited capacity, which is often due to financial capacity constraints (Brush et al., 2001). For example, Baker and Nelson (2005) observed that individual entrepreneurs might discover new opportunities but lack the appropriate financial capacity to pursue them. In sum, the entrepreneurship literature clearly asserts that entrepreneurial behavior requires more than just the sociocognitive awareness and recognition of an opportunity; it also requires a sufficient portfolio of resources to pursue that opportunity (Smith, Judge, Pezeshkan, & Nair, 2016).

While the entrepreneurship literature has traditionally focused on the creation of new goods and services, the same may be true with respect to the adoption of new corporate governance practices that may deviate from established practices. We refer to this important capability as the firm's governance capacity, and we define it as the aggregate financial, human, social, and moral capital available to a firm to intentionally adopt deviant governance practices. As shown in Figure 1, we expect that corporate governance capacity moderates the governance discretion–governance deviance relationship by enabling or constraining the firm in its sociocognitive activation process surrounding deviant behavior.

As suggested by our definition above, a firm's governance capacity may draw upon many different forms of capital. At its most basic level, the firm must possess the necessary financial capital to invest in a governance practice that is different from the prevailing governance logic, since this form of capital reduces the organization's dependence on the external environment and enables the board of directors to pursue alternative courses of action (Hillman & Dalziel, 2003). In addition, the firm must also possess the necessary human and social capital to act differently from others in its environment, particularly within the boardroom (Haynes & Hillman, 2010). For example, Fortune 500 firms are often predominantly owned by institutional investors. If a firm wants to deviate from established norms and practices, its board and executive team must effectively leverage their collective human and social capital with their institutional investors (Zahra, 1996). Finally, the firm must possess the moral capital to provide the capacity to deviate from established norms, even when such practices are viewed as excessively focused on the common good (Godfrey, 2005) or immoral (Webb et al., 2009).

To illustrate the moderating role of governance capacity on the adoption of compensation practices that deviate from the prevailing governance logic, we turn our attention to Volkswagen (VW), Europe's largest car manufacturer. VW is headquartered in Germany, an economy dominated by a stakeholder-oriented governance logic. In 2012, VW CEO Martin Winterkorn's pay nearly doubled, to twenty-three million euros, as he became the highest paid CEO in Germany's top thirty DAX-listed companies (Rogers, 2012). This was clearly incongruent with the country's governance norms, which aspire to equity for all and modest compensation premiums relative to employees. VW certainly has extensive financial and human capital to compensate its CEO above German standards (*Forbes,* 2015), yet local reporters, seemingly shocked by Winterkorn's compensation, peppered him with questions, asking if auto executives were becoming "the new bankers when it comes to pay" (Rogers, 2012: 3). Remarkably, Winterkorn resigned from VW on September 23, 2015 because of the diesel emissions scandal, but he is still expected to receive over $66 million in severance compensation (Boston, 2015). In this example VW possessed the governance discretion to activate a practice outside of the governance logic's zone of conformity, which was facilitated by the organizational governance capacity to support it. In sum, we propose the following.

> *Proposition 4: The extent of corporate governance capacity positively moderates the corporate governance discretion–governance deviance relationship within a dominant governance logic.*

A NEW TYPOLOGY OF CORPORATE GOVERNANCE DEVIANCE

Recall that corporate governance deviance is a nonconforming behavior relative to the zone of conformity defined by the dominant national governance logic. It is triggered by the salience of a firm's entrepreneurial identity to proactively explore new ideas, and it is influenced by the extent of cognitively accessible governance discretion. To deepen our understanding of governance deviance, it is critical to return to our point of departure where a firm's entrepreneurial identity drives its awareness of opportunities, provides access to potentially deviant practices, and ultimately makes it more likely to adopt a nonconforming practice.

In this section we propose a typology of corporate governance deviance summarized in Figure 2. We are guided by two key conceptual dimensions: (1) entrepreneurial motives emanating from inside the firm (Wry & York, 2017) and (2) normative expectations emanating from outside the firm (Heckert & Heckert, 2002). Related to our first dimension, existing research has identified two main motives of entrepreneurial activities: commercial and social. Commercially motivated entrepreneurial organizations focus their attention and meaning on creating economic value, and socially motivated entrepreneurial organizations emphasize the creation of social value (Miller, Grimes, McMullen, & Vogus, 2012). These two entrepreneurial motives are conceptualized along a continuum and can be present in nonprofit, for-profit, or governmental sectors. For the purposes of explication, we discuss each end of the continuum as two distinct categories of entrepreneurial motives.

Research on organizational identity and entrepreneurship has explained how founders and their firms' entrepreneurial identities define and shape entrepreneurial motives. Most notably, Fauchart and Gruber (2011) argued that entrepreneurial motives emerge from the entrepreneurial identity of the firm. They demonstrated that commercial entrepreneurial motives emanate from a Darwinian entrepreneurial identity focused on economic self-interest, professionalism, and being a competitor. Social entrepreneurial motives, however, are driven by communitarian and missionary entrepreneurial identities focused on the community—on positively affecting others' well-being—and individuals with these motives think of themselves as authentic and responsible contributors. Organizational motivations to pursue social entrepreneurship reflect an underlying identity of compassion in terms of prioritizing well-being beyond materialistic concerns and feeling an emotional connection to others who suffer (Miller et al., 2012).

Relative to the second dimension related to normative expectations, Heckert and Heckert (2002) expanded on the notion that deviant behavior can under- or overconform to prevailing social norms by considering the normative

FIGURE 2
Typology of Corporate Governance Deviance

		Normative perceptions within corporate governance logic	
		Underconformity	Overconformity
Entrepreneurial motives	Commercial	**1. Commercial mavericks** Brazil: Petrobras (low CEO pay gap) Germany: Deutsche Bank (high CEO pay gap)	**3. Commercial rate-busters** Brazil: Vale (high CEO pay gap) Germany: Lidl (low CEO pay gap)
	Social	**2. Social rebels** Brazil: SITAWI (low CEO pay gap) Germany: SAP (high CEO pay gap)	**4. Social angels** Brazil: Natura Cosmeticos (high CEO pay gap) Germany: Gesundkostwerk (low CEO pay gap)

Note: This typology only applies to firms with highly centralized entrepreneurial identities. We used two prevailing governance logics to illustrate the typology: (1) the Brazilian dominant governance logic (high CEO pay gap normatively expected) and (2) the German dominant governance logic (moderate CEO pay gap normatively expected).

context of the institutional environment. Recent work draws on these insights to build a model of the likely distribution of social approval loss following a crisis (Bundy & Pfarrer, 2015). Others rely on Heckert and Heckert (2002) to argue that both over- and underconforming firm behaviors sometimes lead to "firm celebrity" because they violate the prevailing social norms, but not enough to become "outlaws" (Rindova et al., 2006). This normative distinction of over- and underconformity is critical to our proposed typology, given our interest in governance deviance.

Consequently, we continue our focus on embedded agency within an institutional context by developing a new typology based on entrepreneurial motives and normative expectations. In so doing, we advance four distinct types of corporate governance deviance: (1) *commercial mavericks*, (2) *social rebels*, (3) *commercial rate-busters*, and (4) *social angels*. Because of the abstractness of the following argument, we provide anecdotal illustrations. Thus, we discuss the application of our typology through the governance practice of CEO compensation across two of the four distinct governance logics (i.e., stakeholder and relational) and include illustrative company examples in each case. Differences in compensation practices are highly embedded in national institutions of social power structures and income stratification (Greckhamer, 2016), which we have conceptualized as governance logic.

It is important to first explain how these two governance logics define the legitimate compensation practices within the zone of conformity before we turn our attention to the governance deviance types. We selected Brazil, with its relational governance logic, and Germany, with its stakeholder governance logic, for illustration purposes in order to demonstrate that governance deviance is always evaluated in light of a specific prevailing governance logic. Compared to U.S. and U.K. firms, Brazilian firms pay higher CEO compensation relative to other workers (*Economist*, 2011). This governance logic seeks to attract and retain top talent and to deter corruption and is consistent with the sociocultural history of Brazil (Menezes-Filho, Muendler, & Ramey, 2008). Therefore, in this scenario an underconforming compensation practice for a Brazilian firm is to pay relatively low salaries to CEOs relative to others, and an overconforming practice is to pay exorbitantly high salaries, even by Brazilian standards.

Conversely, German firms are expected to adhere to moderate CEO compensation practices relative to other workers (Tosi & Greckhamer, 2004). Hence, a German compensation practice underconforming to the stakeholder governance logic grants relatively high CEO salaries, while overconforming practices result in substantially lower CEO salaries. Interestingly, identical CEO compensation practices receive different normative evaluations relative to the zone of conformity, depending on the dominant legitimate governance logic. Next we discuss each of the cells in Figure 2 summarizing our proposed typology. All cells include firms with highly central entrepreneurial identities that have chosen to adopt practices outside the zone of conformity and, therefore, are engaging in governance deviance.

Cell 1 of Figure 2, which we label "commercial mavericks," refers to underconforming governance practices that are driven primarily by commercial entrepreneurial motivations within a firm. For example, Petrobras, a large, state-owned Brazilian oil company, employs extremely entrepreneurial and commercially motivated professionals, as evidenced by its cutting-edge and competitive technological prowess in drilling oil in ultra-deepwater, presalt wells (*Guardian,* 2015). This organization's entrepreneurial identity would fall into the Darwinian type specified by Fauchart and Gruber (2011). Yet the salaries of Petrobras's politically connected executives and CEO are relatively low, therefore underconforming with the Brazilian governance norms.

Turning to an example within the stakeholder-oriented governance logic, the underconforming CEO compensation practice by a firm with high entrepreneurial identity is also displayed by Deutsche Bank, where the two co-CEOs were among the most highly compensated European-based bank CEOs, and certainly among all firms within Germany (*Financial Times*, 2015). Deutsche Bank's general disposition toward a commercially motivated entrepreneurship is evident in the statement from the opening paragraph of its most recent annual report: "It is in the nature of entrepreneurialism to sometimes act against conventional opinions" (Deutsche Bank, 2015: 11).

The cell 2 deviant governance type, what we call "social rebels," is characterized by entrepreneurial firms primarily motivated by social goals, yet with practices underconforming to the prevailing governance logic. In other words, they are "rebels with a cause" (Jones et al., 2012). For example, the Brazilian financial service firm SITAWI focuses on social welfare motives and pays comparatively low salaries to CEO Leonardo Letelier (Letelier, 2012). In contrast, SAP's CEO, Bill McDermott, is the third most highly paid CEO in Germany (*Finanzen,* 2015). However, SAP appears to fit the rebel type owing to its socially motivated entrepreneurial motivation, as reflected by its mission statement: "To help the world run better and improve people's lives" (SAP, 2015: 1).

The cell 3 deviant governance type, which we call "commercial rate-busters," is characterized by overconforming to the dominant governance logic while primarily seeking commercial goals. This type is illustrated by Brazilian firm Vale, the world's third largest mining company, whose CEO receives extremely high compensation, even by Brazilian standards (Torres, 2012). Vale's commercial motivation is evident in the statement "Our main goal is to maximize shareholder value," and its stock was the second most highly traded equity listing on the NYSE in 2014 (Vale, 2015: 1).

In Germany, overconforming governance deviance practices entail paying relatively low CEO salaries while pursuing commercial interests above all else. One illustration is the German discount supermarket chain Lidl, which prioritizes company market principles of customer satisfaction and value for money above all else (Lidl, 2015: 1). Notably, Lidl's CEO compensation is in the bottom quarter of the industry, and this compensation is lower than what would be expected given German norms (*Businessweek*, 2015). This is also an example of what Heckert and Heckert (2002) refer to as a "rate-busting" type of deviance.

Finally, the cell 4 governance deviance type, which we label "social angels," occurs when the governance practice overconforms with the dominant governance logic and is entrepreneurially motivated by underlying social aims. A good example of this deviance type in the context of relational governance logic is Natura Cosmeticos, a Brazilian firm that makes beauty, household, and personal care products and prioritizes human rights and environmental sustainability in all of its markets. Notably, CEO Roberto Oliveira de Lima receives a high to moderate salary of U.S. $1.5 million relative to the average Sao Paolo, Brazil–based CEO, who earns about U.S. $620 thousand (*Economist*, 2011). Natura Cosmeticos's CEO salary overconforms to the Brazilian compensation practices, yet it is driven by social welfare concerns.

Conversely, in Germany, overconforming compensation practices occur when a firm with a "missionary" identity (Fauchart & Gruber, 2011) pays relatively low salaries. One example is Gesundkostwerk Deutschland, a German firm that produces and distributes vegetarian and dairy foods. The firm's long-standing commitment to social well-being began with its unusual inception in 1899 during a reform movement in the industrial period to improve living standards by producing healthy nutrition. Gesundkostwerk's overconformance with compensation practices and social motivations is evident in CEO Michael Berghorn's relatively low salary (*Moneyhouse*, 2015).

In sum, these four types of governance deviance illustrate that the national governance context "sets the stage" for defining normative expectations, but a firm's entrepreneurial motivations enable the firm to improvise in its performance. This typology breaks new theoretical ground by refining and extending the ILP and the entrepreneurship literature, and it yields exciting new research opportunities for corporate governance scholars.

DISCUSSION

With the rise of emerging markets and the interconnected financial flows in the global economy, the international corporate governance literature is at a crossroads. Djelic and Quack's (2010) call to incorporate comparative perspectives with many countries is, as they admit, both conceptually and empirically difficult to pursue. Some scholars argue for probing the limits of "universal" context-free theories in emerging economies to better understand these theories' limits; others push for the development of "indigenous" theories that are independent of any extant theory (Jack et al., 2012).

We believe that neither a universal nor an indigenous approach is likely to be productive. Instead, the development of context-sensitive middle-range theories is useful for better understanding how and why organizations operate within certain boundary conditions across national governance systems. In effect, middle-range theorizing blends the virtues of the universal with the indigenous approach and permits empirical testing that leads to accumulation of new insights over time (Merton, 1968: 39). Thus, we argue that the field of comparative corporate governance needs more middle-range theorizing that explores delimited aspects of governance phenomena and permits empirical testing.

Future Research

For any new theoretical development, the first order of business is to empirically test the proposed model and ascertain its utility and falsifiability. Clearly, there is a need to extensively test our fundamental premise that the centrality of a firm's entrepreneurial identity within the context of a dominant governance logic is the primary driver for the adoption of deviant corporate governance practices. We illustrate the validity of our framework throughout this article by sharing numerous examples of the adoption of deviant CEO compensation practices. However, our framework can be productively applied to other pressing governance issues, such as explanations for diverse compositions of boards, anomalous corporate political activity, unusual firm-level responses to climate change initiatives, and cybersecurity experiments. Of course, for some governance practices, such as moral leadership or community engagement, it might be more difficult to pinpoint what practices fall within the zone of conformity. Future research should also examine the possibility that a deviant practice can eventually turn into a legitimate one, setting new governance standards. Indeed, it is likely that this bottom-up deviation process is the source of all institutional entrepreneurship (Greenwood et al., 2011).

Furthermore, theoretical understanding can also progress by exploring the primary boundary condition specified in this article. Recall that the boundary condition we imposed on our model is the simplifying assumption that there is one dominant governance logic operating within each national economy. When this boundary condition is relaxed, we are faced with the potential existence of multiple institutional logics (Besharov & Smith, 2014; Greenwood et al., 2011). This theoretical relaxation introduces three complexities to our proposed model, and further investigation could be very illuminating.

The first complexity acknowledges the possibility of the coexistence of roughly equivalent yet competing governance logics external to the firm within the same national economy (Bundy, Shropshire, & Buchholtz, 2013; Pache & Santos, 2010). For example, in the United States, with its shareholder-oriented governance logic, Lee and Lounsbury (2015) showed that environmental practices in some communities are perceived as legitimate, but the exact same practices are considered illegitimate in other communities. Moreover, U.S. firms buffered from takeover-disciplining pressures might be encouraged, within the shareholder-oriented governance logic, to shift to a stakeholder governance logic in the absence of such external pressures (Kacperczyk, 2009). Different owners might also adhere to different logics, as indicated by Connelly, Tihanyi, Certo, and Hitt's (2010) comparison of governance practices between "dedicated" and "transient" institutional investors. These studies show that the coexistence of functionally equivalent but distinct governance logics can influence governance practices, and it would be a natural next step to examine the impact of such a condition after testing our middle-range theory.

The second complexity associated with the existence of multiple logics is the potential emergence of an alternative governance logic that may challenge the dominance of a prevailing governance logic. Even though logics are fairly "sticky," they are not static (Aguilera, Filatotchev, Gospel, & Jackson, 2008). Notably, Colyvas and Maroulis (2015) have argued that institutions emerge from a bottom-up experimental process, whereby innovative early adopters meet with success and others imitate their approach. It may be that firm-level governance deviance practices can lead to a governance logic that competes with or even replaces the existing governance logic if a critical mass of firms emulates one firm's deviant governance practices. For example, Webb et al. (2009) noted that nonconforming entrepreneurial practices in the informal economy sometimes become institutionalized within the formal economy, even when those same practices were initially viewed as semi-legal or even illegal. As such, studying how deviant governance practices lead to institutional entrepreneurship could be a fruitful area of future research.

A third complexity posed by the relaxation of our boundary condition points to the possibility that firms may become aware of different corporate governance practices through their exposure to governance logics outside the realm of their domestic institutional environment. For example, Djelic and Sahlin-Andersson argued that "transnational regulation is a mode of governance in the sense that it structures, guides, and controls human and social activities and interactions beyond, across, and within national territories" (2006: 9). In our interconnected age, all firms have potential awareness of and accessibility to governance practices outside their national domain, which can challenge the prevailing national governance logic. This is particularly true if a firm possesses a highly centralized entrepreneurial identity.

Thus, even though firms experience pressures to conform to the national governance logic, they might have to modify some of their governance practices when they navigate across multiple governance logics. For example, domestic firms might attract private equity or foreign owners who demand different governance practices, choose to list on a foreign stock market with more stringent governance requirements, seek to comply with governance hypernorms defined by international governance watchdogs, or decide to remove themselves from the pressures of their current governance logic by incorporating in another country with different governance requirements. Notably, the recognition of different governance logics might trump the current prevailing national governance logic and may trigger governance deviance if the firm possesses a sufficiently central entrepreneurial identity. Future research could develop this undertheorized area, for example, by exploring the process of transnational pressures on firms, including the legitimacy bestowed by the general public (Haack, Pfarrer, & Scherer, 2014) or, in the case of corporate governance, the transnational pressures to conform to a single international accounting standard (Judge, Li, & Pinsker, 2010).

While previous research has repeatedly shown that home country institutions often maintain a firm grip on multinational firm behavior, these global firms could be another fruitful context to test and expand our theory of governance deviance. Multinational firms can easily engage in governance arbitrage—that is, they can pick and choose the governance logic that best suits the enterprise identity at a given time. One of the challenges confronting these geographically dispersed firms, as described by Kostova, Roth, and Dacin (2008), is the common experience of dealing with conflicting governance logics across the different countries in which they operate. Recent research reveals that geographic dispersion can be both a challenge and an opportunity. For example, Geng, Yoshikawa, and Colpan (2016) empirically showed that some firms in Japan with fairly centralized entrepreneurial orientation seek to adhere to a shareholder-oriented logic by adopting stock option pay compensation agreements, despite deviance from the prevailing stakeholder-oriented logic. Future research could help us to better understand how multinational firms pursue distinctive governance practices and how transnational pressures shape these decisions. However, we need to explore the interplay between the firm's entrepreneurial identity and its prevailing governance logic before tackling these complexities and refinements.

Implications for Theory

Implications for comparative corporate governance. The corporate governance literature has begun to explore the remarkably strong influence of national institutions on corporate governance practices and outcomes (Aguilera & Jackson, 2010), particularly in developed economies. However, researchers have not yet systematically and comprehensively identified the salient governance logics operating within the global economy. This article provides a roadmap for understanding corporate governance practices operating across the global economy by identifying four diverse types of governance logics. In addition, comparative corporate governance research often fails to explain why corporate governance practices vary within a national governance environment (García-Castro, Aguilera, & Ariño, 2013), and this article advances a theoretical framework for explaining why this might happen.

Overall, our multilevel focus merging macro and micro explanations should enable future researchers to consider not only the national institutional context but also firm-level antecedents to describe and explain governance behaviors and outcomes. In addition, the notion of governance deviance that over- or underconforms with prevailing governance standards poses new and interesting possibilities for future research related to how different forms of deviance affect other firm outcomes. Finally, the central goal of all economies is to generate wealth equitably (Judge, Fainshmidt, & Brown, 2014). Our introduction of moral capital within the governance capacity construct and entrepreneurial motives grounded in social welfare concerns opens up new areas of study for understanding how firms address social equity concerns that are internally motivated.

Implications for the institutional logic perspective. Recent developments in institutional theory offer powerful new insights into how organizations exercise agency within an embedded context (Greenwood et al., 2011). In particular, proponents of the ILP argue that the microfoundations of organizational agency stem from firm identity categorization (Thornton et al., 2012: 92). Unfortunately, this rather broad "metatheory" fails to identify what type of organizational identities matter, nor does it tell us exactly how the construct of identity interacts with external institutional pressures to yield varying organizational practices and outcomes across countries. In this article we highlight the central role of entrepreneurial identity as the primary source of organizational agency and intentionality with respect to corporate governance practices that do not conform to the prevailing governance logic. By combining insights from the ILP with the entrepreneurship literature, we begin to explore the microfoundations of embedded agency for corporate governance practices.

Previous institutional logics literature highlights the role of attention by the organization's dominant coalition, but it is fairly vague with respect to the specific causal mechanisms of organizational agency. For example, Joseph et al. (2014) claimed that path-dependent rules guide board decision making, but they did not specify how this relates to identity claims. Also, Terlaak (2007) argued that the dominant coalition makes cost-benefit calculations as to when the organization should resist prevailing institutional logics, but she did not elaborate as to how these calculations are made. While these insights are clearly important, we believe that the specific construct that triggers the deviation response is missing from this perspective. In sum, we assert that the centrality of a firm's entrepreneurial identity is the missing link in explaining when and how organizations deviate from isomorphic pressures.

Implications for the entrepreneurship literature. Entrepreneurship at its core involves the discovery and pursuit of new opportunities (Shane & Venkataraman, 2000). However, the entrepreneur as well as the entrepreneurially oriented firm is embedded in an institutional context (Dencker & Gruber, 2015; Terjesen, Hessels, & Li, 2016), and no cross-national entrepreneurship literature that we are aware of has yet provided a coherent framework for specifying why and when an organization will resist institutional pressures and deviate from established norms in terms of governance practices. Entrepreneurs often choose not to conform to prevailing practices, and we assert that it is the centrality of a firm's entrepreneurial identity that enables it to adopt deviant governance practices. Consequently, understanding how an entrepreneurial identity is created and maintained within an organizational and institutional context is essential for moving this literature forward.

Related to the notion of entrepreneurial identity, our typology also considers the entrepreneurial motives behind the adoption of deviant governance practices. Building on Wry and York's work (2017), we distinguish between commercial and social motives as manifestations of entrepreneurial identity, which, in turn, per our model, will influence governance deviance. Most entrepreneurship research is focused on how to manage and govern the firm to help ensure that it is more innovative in the marketplace (Drucker, 1985). In this article we flip this logic and explore how a firm's entrepreneurial tendencies might influence its governance choices.

Implications for Practice

Our research also contains practical implications for strategic leaders seeking to navigate the conflicting pressures that they experience in their effort to achieve a distinctive competency. We can easily imagine that a firm with a relatively pronounced entrepreneurial identity early in its life cycle might experience considerable conflict later on, as other identities vie for supremacy within the firm. Indeed, it has long been recognized that many firms lose their entrepreneurial "spirit" or identity as they evolve over time (Haveman, Habinek, & Goodman, 2012), and our model offers yet another reason to resist this trend.

Of course, all governance practices are ultimately chosen by the firm's board of directors. While it remains to be seen how deviant governance practices influence the firm's prospects for long-term survival, our study suggests that directors should not dogmatically adopt only governance practices that are prescribed by the dominant governance logic. This is particularly true when there is an opportunity to enhance the firm's reputation by overconforming with traditional practices (Fombrun & Shanley, 1990), or when there is an opportunity to enhance the firm's financial performance by underconforming with traditional practices that facilitate the pursuit of commercial interests (Garg, 2013; Geng et al., 2016).

Conclusion

Overall, we seek to advance our understanding of when and how firms deviate from their prevailing national governance logic with respect to corporate governance practices. In so doing, we introduce the concept of governance deviance and point out that the same governance practice can be evaluated as deviant or conforming depending on the prevailing governance logic surrounding an organization. We show that a firm's entrepreneurial identity is the primary driver of corporate governance discretion and that the range of sociocognitive governance discretion will make deviance more or less likely. Moreover, we argue that the extent of national regulatory enforcement and a firm's overall governance capacity are important contingencies influencing the firm's ultimate corporate governance deviance. As such, we advance institutional theory research as well as contribute to a more holistic understanding of the comparative corporate governance literature. Our conceptual model addresses the long-standing tension between organizational agency and institutional isomorphism by highlighting why some firms conform and others deviate within the same institutional context, and it opens up many new fascinating lines of inquiry for future research.

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Ruth V. Aguilera (r.aguilera@northeastern.edu) is a professor at D'Amore-McKim School of Business at Northeastern University and visiting professor at ESADE Business School, Universtitat Ramon Llull. She received her Ph.D. in sociology from Harvard University. Her research draws on economic sociology and strategic organization to explore puzzles in comparative corporate governance and corporate social responsibility.

William Q. Judge (wjudge@odu.edu) is the E.V. Williams Professor of Strategic Leadership at the Strome College of Business at Old Dominion University. He received his Ph.D. in strategic management from the University of North Carolina at Chapel Hill. His research focuses on comparative corporate governance, strategic leadership, and organizational change.

Siri A. Terjesen (terjesen@american.edu) is an associate professor and dean's research fellow at American University's Kogod School of Business. She received her Ph.D. from Cranfield University. Her research explores comparative entrepreneurship and corporate governance.