**Strategic Cognition and Issue Salience: Towards an Explanation of Firm Responsiveness to Stakeholder Concerns**

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<td>Manuscript ID:</td>
<td>AMR-2011-0179-Original.R3</td>
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<td>Manuscript Type:</td>
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<tr>
<td>Keyword:</td>
<td>Stakeholder Theory, Perceptual Issues, Strategy Implementation/ Process, Cognition (Managerial), Decision Making (General), Corporate Social Responsibility</td>
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STRATEGIC COGNITION AND ISSUE SALIENCE:
TOWARDS AN EXPLANATION OF FIRM RESPONSIVENESS TO STAKEHOLDER CONCERNS

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Acknowledgments: The authors wish to thank Associate Editor Jean-Philippe Bonardi and three anonymous reviewers for their invaluable feedback and guidance. Additionally, the authors wish to thank Michael Pfarrer, Amy Hillman, Jeanne Logsdon, and participants at the 2011 Academy of Management Annual Conference for comments on earlier versions of the manuscript.
ABSTRACT

As a new perspective for understanding firm responsiveness to stakeholder concerns, we propose a strategic cognition view of issue salience, i.e., the degree to which a stakeholder issue resonates with and is prioritized by management. More specifically, we explain how a firm’s cognitive structures of organizational identity and strategic frames utilize differing core logics to influence managerial interpretation of an issue as salient. We then present a typology of firm responsiveness and suggest that firms will respond more substantially to those issues perceived as salient to both cognitive logics and more symbolically to those issues salient to only one logic. This paper fills key gaps in our understanding of how firms manage and respond to stakeholders by focusing on the salience of the issue and incorporating strategic cognition as a key mediating mechanism.

Keywords: Strategic cognition, issue salience, stakeholder management, public affairs/issues management
Firm responsiveness, defined as the degree to which a firm is willing to provide a thoughtful response to stakeholder concerns and commit to continued work on the issue (David, Bloom, & Hillman, 2007; IRRC, 1993), has long held the interest of organizational scholars. Early work in stakeholder theory addressed firm responsiveness by developing general strategies of stakeholder management (Freeman, 1984), outlining broad firm responsibilities to stakeholders (Carroll, 1979), and examining stakeholder characteristics to determine which stakeholders should command managerial attention (Mitchell, Agle, & Wood, 1997). Building from these models and typologies, recent research has begun to highlight the heterogeneous nature of stakeholder concerns and idiosyncratic interactions between stakeholders and target firms (de Bakker & den Hond, 2008). Indeed, the concept of stakeholder multiplicity or “the degree of multiple, conflicting, complementary, or cooperative stakeholder claims made to an organization,” has begun to take root (Neville & Menguc, 2006: 377). Researchers are now paying more attention to the diversity of stakeholder issues – i.e., the explicit concerns and requests raised by individuals/groups that can affect or be affected by the firm (Freeman, 1984) – and the process by which managers interpret, balance, and respond to these claims (e.g., Eesley & Lenox, 2006; Mitchell, Agle, Chrisman, & Spence, 2011; Rowley, 1997).

Much extant research on why or how firms respond to stakeholder issues approaches the question from the stakeholder’s perspective or focuses on external drivers such as environmental and stakeholder characteristics (e.g., David et al., 2007; Eesley & Lenox, 2006; Reid & Toffel, 2009). For example, one stream of research examines stakeholder characteristics by asking which stakeholder groups receive managerial attention (Agle, Mitchell, & Sonnenfeld, 1999; David et al., 2007; Mitchell et al., 1997). Other work examines the influence of institutional, competitive and individual motivators (Bansal & Roth, 2000) or network influences (Reid & Toffel, 2009; Rowley, 1997). However, despite this body of work, considerable debate persists regarding the mechanisms that drive firm actions in response to stakeholder concerns (cf. Laplume, Sonpar, & Litz, 2008). Moreover, there have been few attempts to examine the
cognitive process used by managers and decision-makers to interpret, understand, and react to the actual issue under consideration.

We suggest a new perspective for understanding firm responsiveness to stakeholder concerns by developing a strategic cognition view of issue salience, which we define as the degree to which a stakeholder issue resonates with and is prioritized by management. In doing so, we position issue salience as a central driver of firm responsiveness. Firms and managers do not respond to stakeholder and environmental characteristics per se. Instead, they respond to specific issues and concerns advocated by stakeholders, e.g., emissions reduction advocated by environmental stakeholders, governance reform advocated by shareholders, and fair labor practices advocated by employees. In developing our perspective we recognize the wealth of prior research on firm responsiveness that emphasizes various issue characteristics: e.g., who sponsors it (e.g., Agle et al., 1999; Mitchell et al., 1997), how much institutional attention the issue receives (e.g., Bonardi & Keim, 2005; Reid & Toffel, 2009), and its potential impact on the organization and stakeholders (e.g., Jones, 1991). However, we also suggest that an important yet missing component for understanding responsiveness is managers’ interpretation of the issue and its characteristics as salient to the firm and thus worthy of a response. We describe a strategic cognition process (cf. Narayanan, Zane, & Kemmerer, 2011) used by managers to determine issue salience as an outcome of issue interpretation. Furthermore, given that firm responsiveness has largely been understood as action taken against some specific request or demand (e.g., David et al., 2007; Eesley & Lenox, 2006), we use this strategic cognition process to suggest a direct relationship between issue salience and a firm’s response.

Our central purpose is to present an issue salience perspective for examining firm responsiveness to stakeholder issues. In developing this perspective, we make two primary contributions. First, we position the strategic cognition structures of organizational identity (Albert & Whetten, 1985; Dutton & Dukerich, 1991) and strategic frames (Huff, 1982) as integral and interrelated components to the issue interpretation process. Organizational identity guides issue interpretation using an expressive logic, which is related to how the firm defines and
displays conceptions of the self, while a firm’s strategic frame facilitates issue interpretation using an *instrumental logic* predicated on the rational pursuit of organizational goals (Polletta & Jasper, 2001; Rowley & Moldoveanu, 2003). Both cognitive structures work simultaneously to influence issue interpretation. Managers interpret a stakeholder issue as salient based on its relationship to the logic of each cognitive structure. Issues perceived as *consistent* (i.e., materially supporting, reinforcing, or confirming) or *conflicting* (i.e., materially challenging or threatening) with the core logic of each structure will have higher salience, while issues perceived as *unrelated* (i.e., immaterial to cognitive structures) will have lower salience.

Second, we utilize the overall level of issue salience and nature of an issue’s cognitive interpretation (i.e., whether the issue is perceived as consistent or conflicting) to develop a typology of stakeholder issues. We then use these issue types to discuss a firm’s expected response. In doing so, we consider the materiality of response, being either symbolic or substantive, as well as the general form of response, being either defensive or accommodative. We also explore the consequences of cognitive dissonance (Festinger, 1957), or instances when an issue is interpreted as consistent with one logic but conflicting with the other.

In pursuing these objectives, we contribute to the literature by developing a strategic cognition perspective to understand how managers process and respond to the ever-expanding range of issues championed by stakeholders (Laplume et al., 2008). Our theory develops the mediating process between issue characteristics as inputs and firm responsiveness as output, utilizing an organizational perspective of strategic cognition and issue salience. We consider the influence of both expressive and instrumental logics in shaping managerial interpretation of stakeholder issues, answering a call for research to investigate the dynamic relationship of the two logics (Rowley & Moldoveanu, 2003) and also connect interpretation to firm action in the form of responsiveness. Thus, our framework provides a more complete understanding of to whom and what firms pay attention (e.g., March & Olsen, 1976; Ocasio, 1997), as well as how they respond given a level of attention.
Consider an example of environmental sustainability as a stakeholder issue for Walmart. Although Walmart was an exemplar in driving down prices by taking advantage of economies of scale, the company was long criticized for their lack of attention to environmental concerns. Eventually, however, executives at Walmart recognized that their economies of scale could provide a strategic advantage in the area of sustainability. "At Wal-Mart, we realized, we've learned, that what many people criticize us for also happens to be one of our greatest opportunities, which is our size," said Rand Waddoups, senior director of strategy and sustainability (Truini, 2008: 12). In October 2005, Walmart announced broad sustainability initiatives because such investments “help Walmart differentiate itself from its competition, maintain a license to grow, and make its supply chain dramatically more efficient. In other words, a good business sustainability plan would help Walmart get even better at what it does best: drive down costs to generate profits” (Plambeck & Denend, 2008: 54). Characteristics of the environmental issue alone did not trigger Walmart’s heightened responsiveness to sustainability concerns, largely because the nature of the issue did not change – nor did the power, legitimacy or urgency of the stakeholders involved (Mitchell et al., 1997). Instead, Walmart executives began to cognitively interpret the issue as materially consistent with its identity as a low-cost leader and consistent with its strategic frame of leveraging economies of scale. We draw on the strategic cognition literature to explain how managers use organizational cognitive structures of identity and strategic frames to process and prioritize the wealth of stakeholder issues faced by a firm such as Walmart.

We organize the paper as follows. First, we briefly review the issue salience literature to highlight previous use of expressive and instrumental logics to understand stakeholder issues. We then formally define issue salience and present a strategic cognition framework of issue salience. In doing so, we discuss how different characteristics of the issue influence perceptions of salience. In the second half of the paper, we describe how issue salience leads to firm action and responsiveness and present a typology of stakeholder issues and firm responses. We end with a discussion of the implications of our theoretical model and an agenda for future research.
STAKEHOLDER ISSUE SALIENCE

Research investigating the concept of issue salience appears in several streams of organizational literature, emphasizing both stakeholder and firm perspectives. Scholars taking a stakeholder perspective regularly focus on the degree to which an issue resonates with a stakeholder group, suggesting that stakeholders mobilize around an issue because of their collective perception of its criticality as driven by identity (Rowley & Moldoveanu, 2003), culture (Jones, Felps, & Bigley, 2007), or emotional connection to the issue (Bansal & Roth, 2000). This social identity and emotional perspective can explain why certain stakeholders advocate for radical issues or lost causes, such as when “gadfly” shareholders propose extreme resolutions (Rowley & Moldoveanu, 2003). Issues are salient to stakeholder groups to the degree that they connect with deeper meanings of what defines the group and makes it unique. Research on collective identity in social movements refers to this characteristic of identity as an expressive logic, suggesting that actions motivated by identity serve to express identity to external constituents and stakeholders (Polletta & Jasper, 2001). For example, Scott and Lane (2000: 44) use expressive logic to argue “identity is best understood as contested and negotiated through iterative interactions between managers and stakeholders.” As such, an organization’s desire to articulate its identity to pertinent stakeholders can influence the expressive salience of external issues (Ashforth, Harrison, & Corley, 2008).

While stakeholder views of issue salience emphasize expressive logic from an identity perspective, strategic views of issue salience focus on firm-level interpretations of how an issue potentially affects the firm as it attempts to achieve its goals (Dutton & Jackson, 1987; Jackson & Dutton, 1988; Thomas, Clark, & Gioia, 1993). For example, strategic issues management research investigates the extent that an issue “is likely to have an important impact on the ability of the enterprise to meet its objectives” (Ansoff, 1980: 133). Thus, issue salience perceptions are a function of how the firm strategically frames the issue. Managers prioritize issues based on perceptions of how the issue relates to strategic decisions and goals, and managerial action follows this prioritization. An important conclusion of this research is that issues not framed as
influential to strategic goals do not receive priority or attention (Ansoff, 1980). Thus, in contrast to the expressive logic of organizational identity, strategic frames are driven by an instrumental logic concerned with the rational pursuit of organizational objectives (Polletta & Jasper, 2001). If managers interpret an issue as instrumentally salient for achieving strategic goals, they grant it increased priority and attention.

Drawing from both perspectives outlined above, we formally define issue salience as the degree to which a stakeholder issue resonates with and is prioritized by management. Implicit in our definition is a characterization of issue salience as a perceptual outcome of a strategic cognition process. We suggest that the expressive and instrumental cognitive structures of organizational identity and strategic frames, respectively, drive this perception. The salience of an issue is a function of its perceived relationship with the interpretive logic of each cognitive structure (Ashforth & Mael, 1996). Thus, building from the stakeholder literature highlighted above, an issue is consistent with an organization’s expressive logic if perceived as having bearing on or being material to the expression of an organization’s core values and beliefs. Similarly, drawing from research on strategic issues management, an issue is consistent with an organization’s instrumental logic if perceived as materially supporting or useful to the achievement of strategic goals. In contrast, an issue is conflicting with each respective structure when it is interpreted as materially challenging or threatening to an organization’s identity or strategic frame. Finally, an issue may also be perceived as unrelated to an organization’s expressive or instrumental logic. In such cases, the issue is largely seen as irrelevant to the achievement of an organization’s goals or the expression of its identity.

Our overarching framework of issue salience appears in Table 1 below. Those issues perceived as materially related to both cognitive logics – either consistent or conflicting - will be highly salient to managers (as identified in the dark shaded section of Table 1). Issues perceived as materially related to only one logic - either consistent or conflicting - will be moderately salient (as identified in the light shaded sections of Table 1). Finally, issues perceived as unrelated to both cognitive logics will have low salience (as identified in the lower right section...
of Table 1). Several important aspects of our framework should be noted. First, consistent with prior research, we consider each cognitive structure to be independent of the other while operating simultaneously to influence interpretation and salience (Ashforth & Mael, 1996). We discuss more on the nature of each structure and their interrelationship in the following section. Second, our conception of salience distinguishes issue interpretation in both positive and negative terms: as consistent and conflicting. This is consistent with research in strategic issues management, which highlights issues as both opportunities and threats (e.g., Dutton & Jackson, 1987; Jackson & Dutton, 1988), and also with research on identity, which often considers the role of identity threats in addition to opportunities to express identity (e.g., Dutton & Dukerich, 1991). Thus, in utilizing the concepts of consistency and conflict to understand salience, we allow for both positively and negatively salient issues. Viewing salience in such terms also allows us to consider instances of cognitive dissonance, i.e. when an issue is perceived as consistent with one logic but conflicting with the other. We detail the implications of cognitive dissonance in our section on firm responsiveness. For the current discussion regarding issue salience we suggest that dissonant issues will be highly salient, as are consonant issues, or those issues uniformly consistent or conflicting with both logics.

Insert Table 1 about here

As mentioned above, much of the previous work exploring firm reactions to stakeholder issues focuses on the influence of exogenous issue characteristics, e.g., how much power or legitimacy is held by a sponsoring stakeholder (e.g., Mitchell et al., 1997) or how the issue is embedded in the organizational environment (e.g., Reid & Toffel, 2009). We build on this literature by focusing on how firms cognitively process these characteristics, i.e., how managers interpret an issue as meaningful to the organization’s core logics. Reaction to an issue is not automated but rather driven by issue interpretation and perception (Dutton & Dukerich, 1991; Dutton & Jackson, 1987; Jackson & Dutton, 1988). Our arguments draw from the strategic
cognition perspective (Narayanan et al., 2011) which emphasizes the role of cognitive structures including strategic frames and organizational identity. We now turn our attention to strategic cognition and discuss the role of each cognitive structure in determining issue salience. While we focus on explicating the interpretation process, we also recognize previous research and highlight potential exogenous characteristics of an issue that can influence its interpretation.

STRATEGIC COGNITION AND PERCEPTIONS OF ISSUE SALIENCE

Strategic cognition is the study of organizational cognitive structures and decision processes in an attempt to understand strategic decision-making (Narayanan et al., 2011; Porac & Thomas, 2002). Behavioral biases and interpretive frames constrain managers’ ability to make complex decisions (Finkelstein, Hambrick, & Cannella, 2009; Kabanoff & Brown, 2008; Walsh, 1995). Such biases, in part, determine which information receives managerial attention and how managers interpret it. Thus, strategic cognition describes the information-filtering or sensemaking process through which strategic issues are interpreted (Finkelstein et al., 2009).

Accounting for strategic cognition allows us to enter the black box of managerial decision-making to understand how firms act as interpretation systems to receive and process stakeholder issues (Daft & Weick, 1984). Strategic cognition is a function of organizational characteristics (e.g., age, size), top manager traits (e.g., functional or educational background), and values (Daft & Weick, 1984; Finkelstein et al., 2009; Hambrick & Mason, 1984). In this way, and consistent with prior literature in strategic cognition (e.g., Daft & Weick, 1984; Dutton & Dukerich, 1991; Gioia & Thomas, 1996; Pratt & Foreman, 2000), we adopt a managerial perspective. Additionally, stakeholder management is typically considered an enterprise-level strategy (Schendel & Hofer, 1979). Thus, rather than focusing on individual agency, our theory resides at the organizational level to understand how strategic cognitive mechanisms influence the processing of and responsiveness to stakeholder issues.

Research in strategic cognition often focuses on traditional strategic issues, such as the definition of industry and competitive boundaries (Porac & Thomas, 2002) or the nature of strategic change (Nadkarni & Narayanan, 2007), although some work has also addressed firm-
stakeholder interactions (cf. Brickson, 2005; Scott & Lane, 2000). However, the question 
remains: how do firms cognitively process stakeholder issues to determine salience and 
subsequent responsiveness? To answer this question, we focus on firm cognitive structures, 
which represent the relatively stable characteristics and/or repeated patterns of behavior used to 
interpret strategic information (Kabanoff & Brown, 2008; Narayanan et al., 2011). Cognitive 
structures are the mechanisms and biases that direct the sensemaking process of “information 
seeking, meaning ascription, and action” (Thomas et al., 1993: 240). If strategic cognition is the 
process for sensemaking, cognitive structures represent the tools for this process.

Firms face numerous and diverse stakeholder concerns. For an external issue to receive 
attention and reaction from the firm, it must be interpreted as somehow related or relevant to a 
firm. As mentioned above, research on issue salience has previously focused on the cognitive 
structures of organizational identity and strategic frames, viewing each as a mechanism for 
processing external issue information and guiding firm perceptions and decisions (Ashforth & 
Mael, 1996; Narayanan et al., 2011). Each cognitive mechanism captures unique aspects of issue 
interpretation and can act independently to influence the salience of a stakeholder concern. 
Ashforth and Mael (1996:20) consider the relationship between organizational identity and 
strategic frames to be “mutually reinforcing, although not determining.” Thus, similar to 
Donaldson and Preston’s (1995) distinction between the core normative and instrumental aspects 
of stakeholder theory, strategic cognition research distinguishes between an expressive logic 
inherent in organizational identity and an instrumental logic of strategic frames (Ashforth & 
Mael, 1996; Narayanan et al., 2011; Polletta & Jasper, 2001). These two distinct logics 
differentiate the influence of each structure on firm attention to stakeholder issues.

Identity is often expressed in terms of how organizations “wish” to be perceived and is 
used to construct a desirable self (Polletta & Jasper, 2001). Rowley and Moldoveanu (2003: 211) 
discuss this aspect of cognition for stakeholder groups suggesting that identity-driven actions 
“may not be taken by the group to satisfy the members’ rational interests but, rather, to affirm the 
members’ collective identity.” Thus, issues often become salient because of their normative or
expressive value, not necessarily because of their instrumental value. The expressive logic inherent in identity focuses on the ability of an issue to serve as a claim for identity construction and is not necessarily concerned with the issue’s strategic significance (Albert & Whetten, 1985; Ashforth & Mael, 1996).

Alternatively, while identity is often associated with emotional resonance and intrinsic value (Albert, Ashforth, Gioia, Godfrey, Reger, & Whetten, 1998; Weick, 1999), strategic frames reflect cause-and-effect beliefs for effective strategic action to achieve organizational goals (Chattopadhyay, Glick, Miller, & Huber, 1999). Such an instrumental logic is often calculated on the basis of cost-benefit considerations without explicitly accounting for identity or expressive concerns (Polletta & Jasper, 2001; Rowley & Moldoveanu, 2003). Therefore, salience and attention may also be granted to an issue because it serves an instrumental purpose, independent of its relationship to identity.

In summary, identity is related to organizational rhetoric and display of desired images while strategic frames are related to calculative action aimed at achieving performance outcomes. We further explore each cognitive structure below, focusing on how various stakeholder issue characteristics work to influence managerial perceptions of salience.

Organizational Identity and Issue Salience

The construct of organizational identity reflects that which is distinctive and enduring about an organization (Albert & Whetten, 1985) or how an organization views and defines itself. From a sensemaking perspective (Weick, 1979; 1995), organizational identity is a critical lens used by organizational members to interpret the world. Identities reflect collective understanding and represent a source of differentiation from other firms. Organizational identity is perceived as a “root construct” used to situate cognitive processing and sensemaking (Albert, Ashforth, & Dutton, 2000: 13; Ashforth, et al., 2008).

Whether a stakeholder issue is material to a firm’s core values and beliefs – the primary content of organizational identity – renders an issue expressively salient (Ashforth, 2001; Ashforth et al., 2008). Multiple stakeholder- and issue-related factors are important when
considering how an issue is perceived as expressively salient. However, specifying all the exogenous characteristics of an issue that may render it salient is outside the scope of the current manuscript. Instead, we distill three broad issue characteristics that may influence managerial cognitive processing: characteristics of the sponsoring stakeholder, characteristics of the actual request or issue under consideration, and characteristics of the institutional or environmental context (e.g., Mitchell et al., 1997; Reid & Toffel, 2009; Rowley & Berman, 2000).

Regarding the sponsoring stakeholder, managers - in understanding and expressing organizational identity - are cognizant of who presents a specific demand or concern. Salient stakeholders’ support of an issue can influence or reinforce how an organization perceives itself, especially if those stakeholder groups or their espoused issues are central to the organization’s identity. For example, theory on organizational identity orientation explains that a firm’s perception of an issue as confirming or denying its collective identity with stakeholders gives the issue meaning and priority (Brickson, 2005; 2007). Thus, an organizational identity defined by a relationship with a particular stakeholder will render the concerns of that stakeholder material to identity and likely to obtain expressive salience. Consider the case of Johnson & Johnson whose mission and credo prioritize a responsibility and commitment to consumers. Any concern raised by this stakeholder group is likely to be perceived as consistent with the firm’s identity and thus given consideration. Similarly, any issue that threatens Johnson & Johnson’s relationship with consumers would conflict with identity and thus also command salience.

Like identity orientation, the concept of referent-others also provides context for cognitive processing with respect to identity. Referent-others are stakeholders with a particularly strong influence on the process of self-definition (Greenwald & Breckler, 1985; Scott & Lane, 2000). Any issue influencing the relationship with a referent stakeholder would likely be perceived as related to the firm’s expressive logic. Similarly, the idea of stakeholder legitimacy often indicates a moral or normative obligation to certain stakeholders (Jones et al., 2007; Mitchell et al., 1997; Phillips, 2003). An identity defined by a stakeholder relationship can create
normative obligations to referent stakeholders and thus issues raised by these stakeholders are seen as important to the core values of an organization.

Stakeholder issues may also command managerial attention not because of the issue’s sponsor but because of the specific issue being raised. For example, an organizational identity strongly rooted in conceptions of justice or fairness may influence firm managers to give salience to justice-related requests from stakeholders (e.g., Logsdon & Van Buren, 2008). Just as a stakeholder advocates for an issue based on a desire to articulate identity (Rowley & Moldoveanu, 2003), a firm processes stakeholder issues in relation to organizational identity to determine if worthy of attention. Organizations like Patagonia or Herman Miller, whose value statements stress environmental stewardship and sustainability, are likely to perceive issues related to the environment as salient given the potential to express their identity.

The firing of comedian Gilbert Gottfried as the voice of the Aflac duck illustrates how issue characteristics that conflict with a firm’s core values and identity can inspire a high level of salience. Shortly after the devastating 2011 earthquake and tsunami in Japan, Gottfried posted a series of jokes about the disaster. Comedians often cross boundaries and companies often respond when their spokespeople use material that is publicly offensive. However, the clash of Gottfried’s material with Aflac’s core values amplified its perceived salience for Aflac. Aflac espouses a core philosophy of servant leadership and has been consistently ranked on Fortune’s “Most Admired Companies” and Ethisphere Magazine’s “World’s Most Ethical Companies” lists (Grillo, 2010; Washington, Sutton, & Field, 2006). To respond with derision instead of concern for the people of Japan stood in sharp contrast with Aflac’s identity. The issue was highly salient to Aflac and they crafted an immediate response, firing Gottfried, removing all television ads, placing newspaper ads offering condolences, and contributing generously to the relief effort (Belson, 2011).

Finally, broader institutional and environmental aspects of an issue may influence its salience. An important function of organizational identity is the expression of uniqueness; an organization’s identity serves as a tool for differentiation (Ashforth & Mael, 1996; Rowley &
Moldoveanu, 2003). Stakeholder issues that offer little opportunity for a firm to express its unique identity will likely be perceived as unrelated to organizational identity. For example, as an early adopter of a majority-vote standard for director elections, Intel was able to capitalize on the expressive value in setting itself apart from competitors as a leader in corporate governance and accountability (Allen, 2007; Intel, 2006). Following Intel’s adoption, nearly three-quarters of the S&P 500 also moved to a majority-vote standard, making the issue far less material to late adopter firms in the expression of a unique identity. Thus, issue timing and degree of institutionalization can influence the expressive interpretation of an issue.

In summary, we suggest that organizational identity directs managerial attention and promotes issue salience. Because identity is primarily understood using an expressive logic, issues that are perceived as materially supporting or challenging a firm’s ability to express its identity to stakeholders will have expressive salience, i.e., resonate with and be prioritized by management. A number of stakeholder-, environmental- and issue-specific characteristics can influence a firm’s perception of expressive salience, including the centrality of the sponsoring stakeholder or issue topic to the firm’s identity or the ability of the issue to convey a unique identity within environmental constraints. Managers interpret stakeholder concerns in terms of their material relationship to the expression of organizational identity. Thus, we suggest:

Proposition 1: Stakeholder issues perceived as either consistent or conflicting with a firm’s organizational identity will have expressive salience to managers.

Strategic Frames and Issue Salience

While organizational identity reflects how a firm defines itself and expresses its purpose, a strategic frame is the cognitive mechanism for translating that purpose into strategic action (Daft & Weick, 1984; Nadkarni & Narayanan, 2007). A strategic frame is “the knowledge structure that informs strategic decisions, a cognitive template that individuals impose on the information environment to give it form and meaning” (Narayanan et al., 2011: 309). In other words, strategic frames shape the interpretation and translation of environmental context into competitive decisions. Strategic frames use an instrumental logic to serve as filters, paths, or
reference points, providing focus on information and actions that conform to what is necessary for success (Huff, 1982). Finkelstein and colleagues (2009) suggest that frames influence a filtering process in determining which information receives attention (i.e., is in the field of vision). For a stakeholder issue to be considered instrumentally salient, it must first fall within the strategic field of vision and overcome other stimuli. Ashforth and Mael (1996:46) explain that “to be labeled a strategic issue, something must be noticed and interpreted as potentially relevant to the organization’s status or performance.” Issues not interpreted as instrumental to the organization’s pursuit of objectives receive little attention (Barr, Stimpert, & Huff, 1992; Narayanan et al., 2011).

As with identity, firms use strategic frames to interpret and understand stakeholder issues (Dutton, Fahey, & Narayanan, 1983; Dutton & Jackson, 1987; Jackson & Dutton, 1988; Thomas et al., 1993). Research in strategic issues management often invokes the concept of strategic framing to describe classification and response schemas for issue interpretation. Managers use strategic frames to categorize an issue and determine its level of priority (Ansoff, 1980), yet these frames are also a product of social construction and influence (Porac & Thomas, 2002). Thus, previous work relating issue characteristics directly to firm responsiveness provides insight into these input factors of cognitive processing. In other words, and similar to organizational identity, an issue’s sponsor, consequences, and surrounding context all influence managers’ cognitive interpretation of whether the issue is materially related to the instrumental logic of the organization.

As mentioned above, managers are aware of the source of issues they face and may direct their attention depending on the issue’s sponsor (Dutton, Walton, & Abrahamson, 1989). Extant research has developed a number of stakeholder-based frameworks focusing on the instrumental relationship between the stakeholder and the firm. For example, early work stressed the internal or external position of the stakeholder relative to the firm (Freeman, 1984) as well as the stakeholder’s contractual relationship with the firm, often categorized as primary versus secondary (Clarkson, 1995). The idea of issue networks (Frooman, 2010) also highlights the
importance of considering the web of stakeholders with an interest in the issue. Mitchell and colleagues (1997) developed perhaps the most well-known instrumental framework of stakeholder characteristics by focusing on stakeholder salience, or the degree of priority given to different stakeholder groups based on attributes of the stakeholder. According to their typology, stakeholder salience is a function of the power, urgency, and legitimacy of the stakeholder group. Several empirical examinations lend partial support to models of stakeholder salience (Agle et al., 1999; David et al., 2007; Eesley & Lenox, 2006), suggesting that managers indeed pay attention to salient stakeholders when making strategic decisions. Thus, the characteristics of an issue advocate can influence a firm’s cognitive processing using strategic frames.

Managers are also cognizant of the broader competitive and institutional environment in which stakeholder concerns are embedded. As institutional attention to certain issues rises, firms face increasing pressure to consider the issue in their strategic frame (DiMaggio & Powell, 1983; Scott, 1995). Research in corporate political activity suggests that firms confronted with “widely salient” issues find resistance difficult and face increased pressure to conform (Bonardi & Keim, 2005). As firms become aware of peer company responses, they may be more likely to embrace similar choices (Abrahamson & Rosenkopf, 1997; Haveman, 1993). Whether imminent government action (King & Lenox, 2000; Reid & Toffel, 2009) or intensified media attention to a specific stakeholder issue (Deephouse, 2000; Desai, 2011; Pollock & Rindova, 2003), the institutional environment helps establish and validate a stakeholder agenda (McCombs, 1981; Rogers, Dearing, & Bregman, 1993) which also heightens managerial awareness and may shape an issue’s instrumental interpretation.

The intensity or nature of stakeholder issues also influences instrumental interpretation. Decisions that have an impact on the firm and on other stakeholders vary in their influence and in the concomitant level of their issue intensity, which is the “issue related imperative” in the situation (Jones, 1991: 372) encompassing both strategic and moral issue considerations. For example, the consequences of product recalls can be moral (Cheah, Chan, & Chieng, 2007) and/or financial (Thirumalai & Sinha, 2011). Jones’s (1991) issue-contingent construct of moral
intensity considers multiple elements of an issue, from magnitude of consequences and social consensus to temporal immediacy and proximity, and explores how these elements influence managerial decision-making. Thus, the impact of the issue itself on the organization can also shape perception of instrumental salience.

The aforementioned firing of comedian Gilbert Gottfried as the voice of the Aflac duck also illustrates how an issue can be interpreted from an instrumental perspective using strategic frames. The magnitude of the event, social consensus regarding its harm, and the immediacy of the impact combined to create a high level of moral intensity. Furthermore, the offending remarks held a high level of proximity as Aflac has approximately 4000 employees in Japan and derives more than 70 percent of its revenue there (Belson, 2011). The nature of the concerns or the collective intensity of the issue was conflicting with Aflac’s strategic frame, granting it instrumental salience.

In summary, strategic frames represent an organization’s understanding of cause-effect relationships in the competitive environment based within an instrumental logic. Issues interpreted as related to strategic goals, either as consistent or conflicting, receive consideration and attention. Thus, we suggest that stakeholder issues perceived through the frame as pertinent to competitive advantage and performance are instrumentally salient, while those interpreted as unrelated to the strategic frame are not. Stakeholder- and issue-specific characteristics, including salience of the advocate stakeholder, institutional attention given to the issue, and intensity of issue consequences, influence perceptions of issue salience to strategic frames. Thus:

Proposition 2: Stakeholder issues perceived as either consistent or conflicting with a firm’s strategic frame will have instrumental salience to managers.

Issue Salience to Both Organizational Identity and Strategic Frames

We outline above the function of organizational identity and strategic frames in determining the expressive and instrumental salience of stakeholder issues. Consistent with strategic cognition research, which often considers each structure separately (cf. Narayanan et al., 2011), we discuss the influence of each cognitive structure as an independent element in a
firm’s sensemaking process. We suggest, however, that an issue with only expressive or instrumental salience, and not both, will result in only a moderate level of total salience. We now describe how an issue garners high salience by highlighting the interrelationship between the two cognitive structures.

While serving distinct expressive and instrumental functions, organizational identity and strategic frames are loosely-coupled, reciprocally-related cognitive structures that can reinforce or bias one another (cf. Ashforth & Mael, 1996; Dutton & Penner, 1993; Gioia & Thomas, 1996; Narayanan et al., 2011; Polletta & Jasper, 2001). For example, Ashforth and Mael (1996), building on the work of Dutton and Penner (1993), suggest that strategic frames focus a firm’s attention to expressively salient issues based on aspects of instrumental importance, legitimacy and feasibility. Organizations often seek opportunities to express identity across a wide range of diverse and unrelated issues, and strategic frames serve to filter or restrict this range by guiding managerial attention to those issues with strategic importance for the organization. Similarly, organizational identity can guide strategic frames to focus on issues that have some relationship with broader organizational values. Ultimately, those issues that “speak to the raison d’etre and core competencies of the organization” will be seen as more attractive to the organization (Ashforth & Mael, 1996: 46) and as more legitimate targets for action (Dutton & Penner, 1993). Thus, expressive issues that also carry instrumental importance, or vice-versa - instrumental issues that also allow for identity expression, will be given the highest priority by managers.

Research on strategic agenda building helps to illustrate this point (Dutton & Dukerich, 1991; Dutton & Penner, 1993; Dutton, 1997). Defined as the set of issues that command managerial attention, strategic agendas reflect managers’ limited capacity in the number of issues that can be prioritized. Issue- and firm-specific factors may encourage an issue’s placement on a firm’s strategic agenda, including the issue’s perceived instrumental value, (in)consistency with shared organizational values, and internal and external norms and expectations (Dutton, 1997). Issues that satisfy more of these factors are likely to be more prominent on the strategic agenda. An example is Dutton and Dukerich’s (1991) study of the New York/New Jersey Port Authority.
Homelessness existed as an instrumentally salient issue for the Port Authority for a number of years. However, the issue did not achieve priority on the Port Authority’s strategic agenda until it gained expressive salience via the issue’s increase in national attention and social legitimation (Dutton & Dukerich, 1991; Dutton, 1997). Thus, a perceived conflict with the organization’s identity was the catalyst needed to raise a moderately salient (i.e., instrumentally salient only) issue into a highly salient one, having both instrumental and expressive salience.

Given the reinforcing relationship between identity and frames, we suggest that issue salience is further heightened by the issue’s perceived relationship to expressive and instrumental logics, collectively. An issue that has bearing on both the expression of organizational identity, thus expressive salience, and on the achievement of strategic goals and objectives, thus instrumental salience, will capture the total attention of managers and enjoy a greater degree of resonance and prioritization than an issue relevant to only one cognitive mechanism. Similarly, issues lacking a connection to either identity or strategic frames will evade managerial attention and fail to resonate with organizational decision-makers. Thus, we propose:

**Proposition 3:** Stakeholder issues perceived as either consistent or conflicting with both a firm’s organizational identity and strategic frames will have high salience to managers.

**Proposition 4:** Stakeholder issues perceived as unrelated to both a firm’s organizational identity and strategic frames will have low salience to managers.

Given this understanding of issue salience, a number of questions remain regarding the relationship between salience and firm responsiveness. For example, how do firms respond when a stakeholder issue is highly salient and perceived as consistent (or conflicting) with both interpretive logics? Alternatively, how do firms respond when an issue is salient to each logic but the nature of each relationship is at odds, such as when an issue is perceived as consistent with identity but conflicting with strategic frames, or vice versa? How do firms act on a moderately salient issue, or issues perceived as salient to only one logic? To answer these questions, we propose a typology of strategic cognition, issue type and responsiveness. In doing so, we
describe how total issue salience influences the general substance of the response, ranging from
symbolic to substantive, while the nature of the interrelationship between cognitive structures
influences the general form of the response, ranging from defensive to accommodative.

We depict our typology in Table 2 below, which expands on the issue salience
framework presented in Table 1. Among highly-salient issues, we first explore consonant
cognitive interrelationships, i.e., when an issue is perceived as uniformly consistent or
conflicting to both cognitive structures. Such issues are depicted in the top-left and bottom-right
corners of the dark shaded section of Table 2. Consonant issues are likely to trigger substantive
accommodative responses in cases of consonant consistency, and substantive defensive
responses in cases of consonant conflict. We then attend to situations of cognitive dissonance,
when an issue is perceived as consistent with one structure but conflicting with the other
structure. These issue types are found in the upper-right and bottom-left corners of the dark
shaded section of Table 2. Such issues prompt a unique type of responsiveness in the form of
substantive negotiation. Next, we address firm responsiveness to moderately salient issues, or
those issues relevant to only one cognitive structure, as depicted in the light shaded sections of
Table 2. We end with issues perceived as immaterial or unrelated to both cognitive structures,
depicted in the bottom-right section of Table 2.

ISSUE SALIENCE AND RESPONSIVENESS

The propositions above specify the nature and level of issue salience by explicating the
cognitive process underlying managerial interpretation of stakeholder issues. Rather than
defining issue salience based on firm actions (e.g., Eesley & Lenox, 2006), we conceive of issue
salience as an outcome of cognitive interpretation, a perception of expressive importance and/or
instrumental influence. However, perception in and of itself does not specify action. Instead, the
cognitive structures and interpretive logics “establish the parameters of behavior” (Ashforth &
Mael, 1996: 48). Responsiveness captures the firm’s commitment and course of action following perceptions of salience. If issue salience represents the resonance and priority of an issue once cognitively processed, then responsiveness reflects behavior based on that issue’s salience.

Within- and between-firm responsiveness to stakeholder issues is often quite mixed. Consider an example using one specific stakeholder group – firm shareholders. Securities and exchange laws allow qualified shareholders to submit, for proxy consideration, resolutions concerning any number of issues, including social and governance policy issues. During a recent proxy season, the Walt Disney Company received eight shareholder resolutions, with sponsors ranging from individual “gadfly” shareholders to major public pensions such as CalPERS and the New York City Pension Fund. These resolutions addressed a variety of issues such as international labor standards, CEO/Chairman duality, and shareholder access to proxy material. Disney responded to these requests in dramatically different ways: effectively ignoring some, embracing others, and outright resisting several. Some of the resolutions Disney rejected enjoyed sponsorship by prominent shareholders and broad public support. Additionally, other firms facing similar resolutions responded quite differently, and in many cases, those firms accepted resolutions Disney rejected and vice versa. Explaining such variance in firm responsiveness has long been a goal of stakeholder research. While external factors are important, models limited to stakeholder and environmental characteristics offer insufficient explanation for why some issues receive support while others provoke fierce battles. Thus, our focus on cognition and salience can advance research on responsiveness by considering the logics and structures of stakeholder issue interpretation and the subsequent connection to action in response.

We define responsiveness as the degree to which the firm is willing to provide a thoughtful response and commit to continued work on the area of stakeholder concern (David et al., 2007; IRRC, 1993). Our definition connotes action but is not limited to a discrete outcome, i.e., that the firm either does or does not respond. Rather, we conceive of responsiveness as an array of choices for action characterized by the nature of issue salience. Responsiveness also does not imply a strict adoption or rejection of stakeholder requests but rather incorporates a
range of potential outcomes regarding firm behavior towards the stakeholder issue. Wood (1991) describes responsiveness as comprised of the social impact, programs, and policies implemented by a company in response to stakeholder issues. Thus, responsiveness is a collection of actions by the firm. Similarly, as the “action phase of management,” Carroll (1979: 502) suggests that responses can vary from doing nothing (i.e., non-responsiveness) to doing much (i.e., substantive responsiveness).

Consistent with Doty and Glick’s recommendations (1994), our typology of responsiveness suggests specific relationships among issue types, based on salience and cognitive consonance/dissonance, and a firm’s expected response, in terms of substance and form. Response substance is the degree of material action taken in reaction to the issue, often resulting in significant changes to the firm’s “goals, structures, and processes” (Ashforth & Gibbs, 1990: 178; Ashforth & Mael, 1996; David et al., 2007). Ashforth and colleagues (2008) suggest that behaviors are probabilistic outcomes of identity and thus highlight the positive relationship between identity and substantive action. Identities provide trajectories for action; they make action more or less feasible given the relationship with organizational identity. The same is true for strategic frames, which serve to focus managerial attention and shape managerial behavior (Dutton & Jackson, 1987). Issues interpreted as highly salient, thus having a perceived material expressive and instrumental relationship, are more likely to garner a substantive response. Dutton and Ashford use similar logic to suggest that “management’s allocation of attention to an issue is a necessary precursor to their taking substantive action on an issue” (1993: 404). Because the issue is perceived to have materiality in its relationship with the firm’s cognitive structures, the firm will respond in a material manner by committing substantial resources, time, energy and effort to the issue.

In contrast, responsiveness to less salient issues is likely to be more symbolic in nature. That is, firms may seek to signal compliance with external demands while, in reality, continuing in their own incumbent self-interest (Oliver, 1991). Instead of genuinely conforming to external standards, firms will portray conformity through symbolic action, allowing the firm to gain
legitimacy and other benefits while doing little to change firm processes and cognitions (DiMaggio & Powell, 1983; Suchman, 1995). Indeed, symbolic responsiveness is seen as an active attempt by firms to manipulate external expectations to be more closely aligned with firm goals (Oliver, 1991). Thus, firms often use symbolic management to deal with external expectations that do not align with the firm’s expressive or instrumental goals. Additionally, given limited capacity to process and respond to external stimuli, including stakeholder issues (Cyert & March, 1963; Daft & Weick, 1984; Finkelstein et al., 2009), managers must prioritize issues, substantively responding to those issues most critical to the organization and symbolically responding to those issues found to be less important. Stakeholder issues perceived as moderately salient enjoy some level of priority but do not capture the attention or responsiveness granted to higher salience issues.

In addition to the substance of responsiveness, we also consider its form. We draw from research on strategic issues management, impression management, and identity management (e.g., Dutton & Jackson, 1987; Elsbach, 2003; Elsbach & Kramer, 1996) to suggest that responsiveness can be defensive or accommodative in nature, depending on issue consistency or conflict, respectively. Issues perceived as materially consistent with a firm’s cognitive structures engender an accommodative response, while conflicting issues engender a defensive response. If viewing the issue in negative terms, a firm employs a defensive response to distance itself from the issue, uphold existing cognitive structures, and attempt to eliminate the perceived threat of the issue (Dutton & Jackson, 1987; Elsbach & Kramer, 1996). In contrast, a firm employing an accommodative response embraces the issue, viewing it in positive terms. In this sense, accommodative responsiveness is similar to the concepts of dialogue (Logsdon & Van Buren, 2008; 2009) and stakeholder integration (Heugens, 2002), which highlight a focal firm’s willingness to engage with the sponsoring stakeholder in a positive and open manner.

We now address each section of Table 2, beginning with issues having high salience given their alignment with both cognitive structures.

**High Issue Salience and Substantive Responsiveness**
Cognitive Consonance. Issues interpreted as consistent with both organizational identity and strategic frames are considered true opportunities, while issues interpreted as conflicting with both cognitive structures are true threats. These issues appear in the top-left and bottom-right corners of the dark shaded section in Table 2. An issue representing a true opportunity allows the organization to express its identity and promotes action that fits its instrumental logic of strategic success. Under these conditions, the issue will have high salience as it resonates with the firm’s cognitive structures and is prioritized by management as both an expressive and instrumental opportunity. Such issues engender substantive accommodative responses as the firm embraces the issue. For example, in response to concerns regarding its carbon emissions and use of coal energy, New Belgium Brewery embraced the issue as a true opportunity and responded by becoming the first brewery in the U.S. completely powered by wind energy (Bundy, 2012). Environmental stewardship and the promotion of sustainable change are core values in New Belgium’s identity, so reducing carbon emissions by switching from coal to wind power was highly aligned with the firm’s expressive logic. In addition, being the first firm in its industry to rely on wind power allowed New Belgium to differentiate itself from competitors. New Belgium leveraged publicity from the switch and is now well known and highly regarded as a sustainable enterprise. Thus, from a strategic frame perspective, the move was beneficial in building the firm’s reputation and brand (Ferrell & Hartline, 2011).

In contrast, a stakeholder issue representing a true threat conflicts with both the firm’s identity and strategic frame. Like a true opportunity, a true threat will be highly salient as managers assess the nature and degree of the perceived challenge and formulate potential responses. To minimize the likelihood of harm, the response will be defensive and substantive. A recent example of a firm responding to a true threat is Google’s response to the U.S. Stop Online Piracy Act (SOPA) bill. The SOPA bill challenged Google’s identity as a facilitator of free speech and information. The bill also threatened Google’s strategic frame, as compliance with the act would have been excessively burdensome for companies like Google. Google responded...
by engaging in heavy lobbying against the bill, deploying a large-scale publicity campaign, and even threatening to blackout the webpage (Lyons, 2012).

Our examples of New Belgium and Google represent substantive action and response by the focal firms, indicative of their willingness to engage and make a serious commitment to addressing the stakeholder issue. The responses chosen by these firms were highly-publicized, costly initiatives and exemplify substantial responsiveness to issues of high salience. The responses took the form of accommodative or defensive based on issue perception as consistent or conflicting, respectively, with both cognitive structures. Thus, we propose:

Proposition 5a: Stakeholder issues perceived only as true opportunities will elicit substantive accommodative responses from managers.

Proposition 5b: Stakeholder issues perceived only as true threats will elicit substantive defensive responses from managers.

Cognitive Dissonance. Issues that are material to both cognitive structures may also be at odds, e.g., an issue perceived as consistent with one structure may be conflicting with the other. Such interpretations create cognitive dissonance for managers as they attempt to determine the appropriate response. An issue perceived to be conflicting with organizational identity yet consistent with an organization’s strategic frame is termed an identity conflict. An issue conflicting with the strategic frame but consistent with identity is termed a frame conflict. These issues appear in the bottom-left and top-right corners of the dark shaded section in Table 2. Dissonance between expressive and instrumental logics is familiar to researchers in the field of business ethics. The basis of an ethical dilemma is the idea that one’s identity or conception of the self – a core construct related to values and ethical beliefs – is at odds with the options available to enacting this identity (Carroll & Buchholtz, 2009); in other words, “Who I am/what I value” conflicts with “What it takes to succeed.”

In reviewing research on organizational identity, Ashforth and colleagues suggest that various factors influence the degree of dissonance between a firm’s identity and strategic action including “situational constraints, competing identifications, impression management concerns,
and so on” (2008: 331). Issue-specific characteristics, including the salience of the sponsoring stakeholder, the institutional environment surrounding the issue, and the intensity of the issue itself, can also constrain and influence perceptions of an issue. Consider an issue consistent with identity yet conflicting with strategic frames, such as demands from an identity-relevant stakeholder for strategic initiatives incompatible with a firm’s current strategic frame. Given the potential implications for the firm, the issue will be substantively prioritized. Indeed, Ashforth and Mael (1996) argue that issues are most salient and attended to when they invoke ambiguity or disagreement between the firm’s cognitive structures. However, while it seems evident that issues of cognitive dissonance command salience, and thus substantive responsiveness, the form of response is likely neither accommodative nor defensive.

Stakeholder issues have been characterized as “socially constructed disruptions of institutional order” or ongoing battles of sensemaking and sensegiving whereby combating participants attempt to influence the social environment (Lamertz, Martens, & Heugens, 2003: 82). Those stakeholder issues which induce identity or frame conflict represent a particularly strong disruption of order, a “sensebreaking” or “dislocating” event that triggers fundamental questioning of one’s sense of self (Ashforth et al., 2008; Ashforth & Mael, 1996; Pratt, 2000). Such events constitute an explicit “shift from the experience of immersion in projects to a sense that the flow of action has become unintelligible in some way” (Weick, Sutcliffe, & Obstfeld, 2005: 409). In response to the cognitive dissonance created by the conflict, managers will engage in efforts to bring about consensus or alignment among competing frames (Festinger, 1957; Jackson, 2002; Strauss, 1978; Swann, 1987). In other words, perceived inconsistencies in a firm’s understanding of itself and its strategic goals call for a renegotiation of the status quo (Strauss, 1978). Thus, we suggest that in response to identity and frame conflicts, firms will engage in substantive negotiation, which we define as efforts by the focal firm to bring consonance to the interpretive logics used to understand an issue.

Google’s identity conflict involving its foreign expansion to China highlights this sensebreaking-negotiation response. Committed to free expression and open access to
information, Google struggled with censorship by the Chinese government while recognizing the potential to serve the largest economy in the world (Levy, 2011). Executives at Google valued the introduction of their search engine to China, even on the government’s restrictive terms, because of its consistency with strategic frames; however, insiders grappled with the move’s misalignment with corporate identity. After multiple run-ins with Chinese authorities, Google announced it was “no longer willing to continue censoring our results on Google.cn, and so over the next few weeks we will be discussing with the Chinese government the basis on which we could operate an unfiltered search engine within the law, if at all. We recognize that this may well mean having to shut down Google.cn, and potentially our offices in China” (Drummond, 2010). Documented internal disputes among Google founders and current executives indicate the strife over reconciling business growth with continued governmental compliance, and ultimately, Google withdrew from mainland China and ended its experiment in censorship (Levy, 2011).

An example of frame conflict is New Belgium’s move to distribute its product in aluminum cans instead of glass bottles, based on evidence that cans are more environmentally friendly (Bundy, 2012). This strategy was consistent with New Belgium’s identity as an environmentally-conscious organization. However, when consumers voiced their displeasure with the change and claimed that the new packaging reduced product quality, New Belgium faced a frame conflict as the new strategy risked widespread rejection by consumers. In response, the organization engaged in extensive external negotiation, issuing press releases and reports highlighting the environmental friendliness of cans and disputing claims that product quality suffers.

Just as New Belgium Brewery attempted to resolve its frame conflict over sustainable packaging, Google conducted broad negotiation efforts toward resolution of their identity conflict over censored operations in China. Organizations facing identity or frame conflict are likely to respond by engaging in substantive negotiation, ideally until the issue becomes either consonantly aligned or immaterial to one or both of the dissonant cognitive structures. Therefore, we suggest:
Proposition 6: Stakeholder issues perceived only as identity or frame conflicts will elicit substantive negotiation responses from managers.

In sum, stakeholder issues with high salience garner substantive responses from managers. By definition, such issues have a high degree of resonance and priority and thus receive managerial attention in a meaningful and significant way. Given the vast assortment of stakeholder concerns brought to firms on an ongoing basis, and the fact that firms face cognitive and resource limits in their ability to respond to every issue, we next address issues perceived as salient to only one cognitive structure. These issues appear in the light grey sections of Table 2.

Moderate Issue Salience and Symbolic Responsiveness

Some issues may be perceived as material to only one cognitive structure. As noted above, the defining element of issue salience to identity is a perceived relationship with an organization’s expressive logic, such that the issue presents a significant influence on a firm’s ability to express or enact its identity. We also suggest that some attempts to express identity have little to do with strategic performance or goals (Rowley & Moldoveanu, 2003). The same is true for strategic frames; although perceived as instrumentally salient, some issues fail to connect with identity. Issues perceived as consistent (or conflicting) with organizational identity yet unrelated to strategic frames are expressive opportunities (or expressive threats), while issues consistent (or conflicting) with only strategic frames are instrumental opportunities (or instrumental threats). These four issue types encourage firm responsiveness that is largely symbolic in nature.

We have established that stakeholder issues materially related to strategic frames follow an instrumental logic. Two matters of corporate governance reform involving shareholder resolutions illustrate how firms respond to such instrumental issues. Between 2005 and 2009, powerful investment advisory services and governance watchdog groups launched widespread campaigns supporting two separate governance reforms: shareholder proxy access and adoption of a majority-vote standard for board of director elections. Excluding advantages given to first-
movers, these initiatives were largely immaterial to most firms as a matter of organizational identity. However, in the case of the majority-vote standard, the policy quickly diffused and received broad institutional support. As a source of structural legitimacy (DiMaggio & Powell, 1983), the policy was quickly recognized as consistent with strategic frames, creating an instrumental opportunity for institutional and shareholder compliance. However, the response to such issues was largely symbolic. Indeed, the Council for Institutional Investors, one of the strongest proponents for majority-vote, has recently expressed concerns regarding the symbolic way in which the policy seems to have been adopted (CII, 2010; Lublin, 2009). Westphal and Zajac (1994; 1995; 1998) found a similar effect in their studies investigating adoption of executive long-term incentive plans. Early adopters implemented the plans in earnest while later adoption was largely symbolic, as firms attempted to gain legitimacy yet maintain strict control over their structures and processes. Without a strong connection to identity, there was little incentive for firms to substantively implement the policy, especially as stakeholders seemed mollified by simple adoption, thus allowing the adopting firms to take advantage of the instrumental opportunity.

In contrast, allowing shareholders full proxy access would involve a substantial change to corporate governance at publicly traded firms, and the proposal was met with widespread resistance. Thus, proxy access as a shareholder issue presented an instrumental threat as the issue conflicted with strategic frames. Firms responded by allowing the issue to go to non-binding vote on proxy ballots, thus allowing them to signal consideration of the issue without invoking any true reform. The issue managed to garner some attention but ultimately had little lasting effect, resonance, or priority by organizational decision-makers. Dutton and Dukerich (1991) described a similar response to an instrumental threat in their study on the Port Authority of New York and New Jersey. The Port Authority’s initial interpretation of the presence of homeless individuals in its facilities was largely instrumental; the Authority perceived little connection between the issue and its identity. The organization responded symbolically, asking external partners to deal with the issue rather than substantially addressing the issue itself. Until the Port Authority’s
interpretation of the issue evolved to recognize that the issue was identity relevant as well, its response was symbolic and defensive.

In contrast to the instrumental logic of strategic frames, stakeholder issues salient to organizational identity yet unrelated to strategic frames follow an expressive logic. Again, we offer examples to illustrate stakeholder issues likely to resonate with identity yet unlikely to be prioritized in strategic decision making. Requests for philanthropy and community involvement often offer a firm an expressive opportunity to enact deeply-rooted values without materially affecting pursuit of strategic objectives (e.g., Margolis & Walsh, 2003). For example, Moir and Taffler (2004) suggest that donations made by IBM to the non-profit ArtSkills were largely altruistic, meaning the donations were not connected to IBM’s business strategy or stakeholder relationships. Thus, the donations were largely symbolic and disconnected from instrumental logic, only serving an expressive purpose.

Alternatively, requests that actively oppose core beliefs and self-concept yet have little to do with strategic frames represent expressive threats. Consider stakeholder activists such as PETA or Greenpeace, who often employ extreme smear campaigns against companies they perceive as violating animal or environmental rights. Often lacking legitimacy in the eyes of the public (Mitchell et al., 1997), such campaigns generally have little impact on a target firm’s strategic performance. Without a solid connection to strategic outputs or goals, these issues are unrelated to strategic frames and so firms respond symbolically and defensively. For example, Starbucks used a product derived from crushed insects as a red food-coloring additive in some of its coffees and smoothies. PETA and vegan activists raised concerns and organized a change.org campaign against Starbucks, claiming its use of the additive was deceptive, unnatural and unfriendly to vegan consumers (Shute, 2012). Starbucks initially responded by issuing a press release explaining that the additive is naturally-occurring, FDA-approved, and commonly used by food preparers in order to avoid artificial ingredients; thus, using the additive maintained Starbucks’ commitment to providing safe and natural products. Eventually Starbucks switched to a product derived from tomatoes, although some argue that such a move remains deceptive.
(Mestel, 2012). Regardless, Starbucks initially perceived the issue as largely expressive and its response was generally symbolic and defensive.

In summary, symbolic responsiveness represents an attempt by firms to resolve issues that are perceived as materially related to only one cognitive structure and thus only moderately salient. Issues perceived as consistent or conflicting with strategic frames alone are instrumental opportunities and threats, and issues consistent or conflicting with identity alone are expressive opportunities and threats. The form of responsiveness corresponds with issue type, wherein a consistent issue signals an opportunity for symbolic accommodative responsiveness while conflict signals a threat for symbolic defensive responsiveness. Thus,

**Proposition 7a:** Stakeholder issues perceived only as instrumental or expressive opportunities will elicit symbolic accommodative responses from managers.

**Proposition 7b:** Stakeholder issues perceived only as instrumental or expressive threats will elicit symbolic defensive responses from managers.

**Low Issue Salience and Non-Responsiveness**

Finally, some issues are perceived as immaterial, i.e., not related to either an organization’s identity or strategic frame. These non-issues can be found in the lower-right section of Table 2. Extending the stakeholder activism examples above, some activism involves broad campaigns conducted without meaningful targets or purposeful association between the issue and the focal firm. While the stakeholder group may be passionate about the issue, inconsequence to strategic cognition renders the issue easily ignored and dismissed (Marens, 2002; Rowley & Moldoveanu, 2003). An example of a non-issue is the movement urging companies to reincorporate in North Dakota, which enacted the most shareholder-friendly corporate governance law in the United States (Tuna, 2008). Since that change, a group of activist investors, including noted shareholder activist Carl Icahn, has targeted major corporations with resolutions urging them to reincorporate in North Dakota. Five years later, only American Railcar Inc., majority-controlled by Icahn, has approved the proposal (Marketwatch, 2009). According to Richard Ferlauto, the head of corporate governance and
pension investment at the American Federation of State, County and Municipal Employees, "this is more a wake-up call for Delaware to modernize than any significant attempt to attract business in North Dakota" (Tuna, 2008). Of course, events such as shareholder litigation can change a non-issue into a true or instrumental threat, but as long as such concerns are unrelated to both organizational identity and strategic frames, they largely represent non-issues to managers.

Issues perceived as unrelated to strategic cognition, i.e., immaterial to organizational identity or strategic frames, will lack salience and thus, by definition, be unlikely to resonate with or be prioritized by management. Low salience also implies little to no responsiveness, and such issues may be momentary distractions or nuisances among the diverse landscape of stakeholder demands. The non-issue holds neither importance nor meaning in how firms interpret the external environment and manage stakeholder relationships. Therefore,

*Proposition 8: Stakeholder issues perceived only as non-issues will elicit little to no response from managers.*

We present Table 3 below to summarize our arguments and examples related to firm responsiveness and issue salience.

| Insert Table 3 about here |

**DISCUSSION AND CONCLUSION**

Our ultimate goal in presenting a cognitive theory of issue salience is to establish a new research agenda for exploration of firm responsiveness to stakeholder concerns. We advance theoretical understanding of stakeholder concerns by proposing issue salience as a distinct construct driven by cognitive interpretations of the issue. In contrast to previous work, we model issue salience as the key antecedent of firm responsiveness to stakeholder concerns. We contribute to research by positioning issue salience as an intermediating construct, the outcome of firm perceptions of issue characteristics and a cognitive process through which external issue factors are interpreted. Additionally, our treatment of organizational identity and strategic frames...
as simultaneous but unique constructs advances research in strategic cognition, which traditionally considers the influence of only one or lumps the constructs together (Narayanan et al., 2011). Thus, in explicating the dual nature of issue salience, we advance research investigating the multiple motivations of managers in responding to stakeholder demands.

We also contribute to research by explicitly considering how issue salience relates to firm responsiveness. Not only do we consider how managerial attention is cognitively organized, but we propose a typology of issue type and responsiveness to translate attention into action. By providing a cognitive explanation for a firm’s response in both substance and form, we contribute to our understanding of symbolic management and firm responsiveness. We address instances of cognitive dissonance and introduce negotiation as a discrete response to such situations. In doing so, we also advance our understanding of how stakeholders and the issues they champion can induce change or alter a firm’s cognition.

While this paper proposes issue salience as the focal point, we recognize that firms manage multiple issues at once and that issues evolve over time. How an issue is perceived by managers is dynamic, and while our typology classifies levels of salience and discusses expected responses, the separation between categories and quadrants may be superficial. Thus, consistent with the recommendations of Doty and Glick (1994), we present a variety of issue types that represent complex constructs and provide an abstract and falsifiable model for future testing. One fruitful area for future research is the cyclical or iterative nature of issue salience and responsiveness. It is likely that responsiveness will shape subsequent requests and inputs to perceptions of salience, from contextual characteristics to cognitive understanding of the issue at hand. The relationship between salience and responsiveness may be reinforcing; initial salience influences initial responsiveness, which influences future salience, and so on. Future work could refine this iterative model, identify other important dimensions, and investigate potential limits or boundaries to the influence of salience. Like Proffitt & Spicer (2006), we recognize that there may be value in capturing the entire life cycle of an issue, including its earliest inception in order to understand fully the evolution of an issue’s meaning and interpretation.
Our theory also offers opportunities to explore the mediating nature of strategic cognition and refine our understanding of strategic outcomes. Scholars have used various perspectives to explain strategic change, using a rational lens to examine direct effects of environmental conditions such as uncertainty, competition or regulation (e.g., Haveman, 1992; Wiersema & Bantel, 1993) or using a cognitive lens to view how environmental context affects strategy through managerial cognition (Barr et al., 1992; Brown & Blackmon, 2005). Rajagopalan and Spreitzer (1997) integrate these disparate perspectives to propose a multi-lens framework of strategic change, in which environmental conditions affect strategy through managerial cognition. Our theoretical model of issue salience responds to their call for research to explore strategic change as reflective of both environmental antecedents and managerial cognition, and our logic suggests that institutional and stakeholder effects may directly influence strategic cognitive structures and thus indirectly influence issue salience. In other words, strategic cognition represents the key mediating process by which external factors translate to issue salience within the firm. Previous research notes that external stimuli are more likely to be perceived as reinforcing cognitive structures rather than altering them (e.g., Barr et al., 1992; Gary & Wood, 2011). Thus exploring when issue characteristics such as institutional attention or stakeholder salience are more likely to challenge or impel change in strategic frames and organizational identity may be an interesting area for future research.

Our theory also connects to the large body of prior work on stakeholder activism and firm performance, in both financial and social terms. A review of stakeholder theory suggests appropriate stakeholder management should be associated with increased financial performance, reputation, trust, efficiency, innovation, flexibility and negatively related to risk and uncertainty (Parmar et al., 2010). Similarly, a separate review of the shareholder activism literature supports a positive relationship between responsiveness and short-term financial performance (Gillan & Starks, 2007), although empirical research has also reported a negative relationship between responsiveness and social performance (David et al., 2007). We believe that work exploring connections between stakeholders and performance will especially benefit from focusing on
issue salience and that empirical studies incorporating our model may be productive avenues for additional research. By focusing on issue salience, researchers can begin to better understand how institutional, stakeholder, and cognitive forces combine to influence firm outcomes.

Theory to date does not explain how firms decide between competing stakeholder claims (Kaler, 2006) or how firms effectively respond to individual requests when faced with multiple, conflicting demands (e.g., Hadani, Goranova, & Khan, 2011). Our model of issue salience enables researchers to address these vexing questions. Additional theoretical development may further explore the influence of organizational decision makers outside of the top management team as well as the potential for agency issues within the executive suite. An upper echelons perspective views the background and experiences of top managers as highly influential to organizational outcomes (Hambrick & Mason, 1984); thus, a lens of managerial cognition or other more “micro” approaches may further enrich our understanding of the realities of managing and crafting responses to stakeholder concerns.

Organizational identity and strategic frames each represent extensive bodies of research, and our typology focusing on the consistent or conflicting relationship between an issue and each structure provides only an initial step at mapping the complexity of the strategic cognition process and corresponding salience of stakeholder issues. We do not attempt to capture all aspects of strategic cognitive structures and leave for future theorizing the opportunity to deepen our understanding of the interrelationship between these mechanisms and the influence of potential moderators. While we view the relationship between identity and strategic frames to be independent and reciprocal, we encourage future research to explore the potential contingency and moderating factors that may influence this relationship.

For example, organizational identity scholars discuss factors such as the multidimensionality and strength of identification (Ashforth & Mael, 1996), which may further advance our theory of how firms process and prioritize stakeholder concerns and how they behave, especially in instances of cognitive dissonance. Firms with strong identities often frame issues that are consistent with organizational identity as also being strategic (Ashforth & Mael,
1996; Gioia & Thomas, 1996). Thus, an organization like Johnson & Johnson, whose identity centers around service to consumers, will strategically frame issues from this stakeholder group as instrumental simply because of their proximity and connection to identity. In other words, the expression of an organizational identity relative to a particular stakeholder is also seen as instrumental to achieving organizational objectives. Similarly, the relationship of an issue to strategic frames may be influenced by the firm’s strategic flexibility (Nakdarni & Narayanan, 2007), its scanning orientation, or its perceived ability to control an issue (Thomas et al., 1993). Additional dynamic factors such as the timing of issues, the urgency of stakeholder claims, and even the stochastic nature of information processing are also likely to affect whether and how an issue commands high salience.

If issue salience influences firm responsiveness, in general, we might also expect an influence on performance outcomes. However, this relationship is highly complex. For example, responsiveness to an issue based on strong consistency with organizational identity could actually hurt performance, such as when a firm chooses to donate a large percentage of profits to a specific cause in order to maintain a philanthropic self-concept. Recognizing a range of firm responsiveness including substantive, symbolic, and negotiation responses, in concert with the cognitive process determining issue salience, may allow scholars a rich opportunity to explore the true nature of the relationship between responsiveness and performance.

Our attention to issue salience also informs the research stream specifically related to symbolic management (Meyer & Rowan, 1977; Westphal & Zajac, 1998). Highly salient issues are likely to engender substantive responses from managers, based on their alignment with both organizational identity and strategic frames. However, our typology also describes how a perceived material relationship with only one cognitive structure may promote more symbolic or satiating responses. Future research could focus on the interplay between managerial symbolism and decoupling and issue salience. How does the level and nature of issue salience influence the significance and scale of firm response? Are there repercussions to enacting symbolic responses to salient issues? Do firms respond differently to expressive versus instrumental opportunities, or
expressive versus instrumental threats? Connecting the construct of issue salience to managerial symbolism can inform our understanding of the antecedents and consequences of symbolic responses.

We also recognize that there may be additional drivers of each aspect within our model and the possibility that issue salience may be a second- or even third-order construct. We know that stakeholder salience itself is a multi-dimensional construct (Agle et al., 1999; Crawford, Williams, & Berman, 2011; Mitchell et al., 1997), and that between- and within-firm as well as external factors are likely to influence issue salience and firm responsiveness. While most previous work explores issue and stakeholder characteristics driving firm response, we highlight how exemplary stakeholder, issue-specific, and environmental issue characteristics may influence the interpretation of salience. Our intention was not to formulate a fully saturated model of responsiveness to stakeholder concerns. Instead, we propose a first step by calling attention to strategic cognition as a mediating process and issue salience as a perceptual outcome influencing responsiveness. In balancing the challenges of integrating multiple perspectives and providing a parsimonious theoretical model, we hope our initial steps will facilitate broad and varied extensions of organizational and stakeholder research in the future.

We acknowledge that the construct of issue salience specifically, and our proposed model more broadly, present challenges for empirical testing. Perhaps prior research concentrates on singular environmental factors or stakeholder variables as drivers of firm responsiveness given their more accepted and readily available archival measures. Strategic cognition, interpretation, and sensemaking are difficult to capture without primary data, and so the development of our model could benefit from case study or other qualitative research design, which may motivate further inductive theory building. Researchers have used similar approaches when investigating complex cognitive processes such as identity change and evolution (e.g., Clark, Gioia, Ketchen, & Thomas, 2010). Techniques employing content analysis also present promising opportunities to test our model (e.g., Duriau, Reger, & Pfarrer, 2007), including the use of word counts, computer aided content analysis, and other methods focused on analyzing firm communication to
determine managerial cognitive orientation (Cho & Hambrick, 2006; Kaplan, 2008).

Additionally, cognitive mapping as a form of content analysis has been a popular method for capturing strategic frames (Huff, 1990). However, much of this research has focused on non-evaluative variables, such as counts of keywords indicating strategic focus and managerial attention (Kabanoff & Brown, 2008). Because we position issue salience as cognitive interpretation, a simple examination of public filings might be confounded by organizational attempts at impression management (Abrahamson & Hambrick, 1997).

We encourage multi-method research to explore the relationships posited in our model and suspect that scholars may find such research design to be especially fruitful, in line with work using qualitative and quantitative data to assess cognitive processes of managers in recognition of threats versus opportunities (Gregoire, Barr & Shepherd, 2010). Well-executed studies employing multiple methodologies not only offer rich evidence with greater generalizability but also are more likely to be highly-cited, high-impact papers in the long run (Molina-Azorin, 2012). A promising setting to employ a multi-method technique is within the phenomenon of shareholder resolutions (e.g., David et al., 2007; Logsdon & Van Buren, 2008). Future research could employ qualitative content analysis techniques, such as cognitive mapping, to analyze text contained within shareholder requests and firm responses. Such analysis, combined with the traditional quantitative response variables used to investigate shareholder resolutions (cf. David et al., 2007), may reveal how identity and strategic frame influence a firm’s prioritization of shareholder issues and subsequent nature of responsiveness. Empirical research could also follow multiple issues within one firm, one issue across multiple firms, or even the evolution of issue salience as an issue changes in relatedness to firm cognitive structures, as with Walmart’s investment in sustainability initiatives. Despite the challenges of empirically testing our overarching model, we hope that our focus on issue salience will help to clarify previous findings and advance our understanding of responsiveness to stakeholder issues and the complex relationships between the organization and its many stakeholders.
In conclusion, we believe that this theoretical model contributes to scholarship and practice in several ways. We develop the mediating role of strategic cognition to issue salience, recognizing the importance of organizational identity and strategic frames in understanding how stakeholder issues resonate with organizational decision-makers. This contribution also reflects practical implications for organizations with respect to stakeholder responsiveness. While other stakeholder research considers the characteristics of stakeholders or patterns of targeting firms with their demands, we focus on the firm and the cognitive process of how issues become more or less salient. We recognize that managers must identify, understand, and assign priority to the issue before they can respond to any demands accessory to the issue, and that responsiveness includes a broad collection of choices for action and engagement aligning with the firm’s willingness or commitment to addressing the issue. Particularly promising is research motivated by our theoretical model to help firms better manage relationships with stakeholders and respond to their vast array of preferences and requests.

While we develop a cognition-based theoretical model regarding firm perceptions of stakeholder issues, we believe our model also has practical application. Firm managers and stakeholders need only look inward and examine the firm’s identity and strategic frame to understand how the firm might respond to an issue. With this understanding, managers can examine stakeholder issues for core characteristics related to their cognitive structures and craft appropriate responses. Similarly, external stakeholders may attempt to frame their concerns consistent with a firm’s cognitive structures in order to achieve desired objectives and engagement with the targeted organization. Whether firms consciously or more subliminally manage stakeholder relationships, we also envision implications of our theory for organizational outcomes such as financial and social performance. We suggest a number of avenues for additional theorizing and empirical testing and hope that our overarching model constitutes a meaningful research agenda to enrich our understanding of the relationship between stakeholder concerns and firm responsiveness.
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### Table 1
A Strategic Cognition Framework for Issue Salience

#### Relationship with Strategic Frame

<table>
<thead>
<tr>
<th>Relationship with Organizational Identity</th>
<th>Consistent</th>
<th>Conflicting</th>
<th>Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent</td>
<td>High Salience – Expressive and Instrumental Salience</td>
<td>Moderate Salience – Expressive Salience Only</td>
<td></td>
</tr>
<tr>
<td>Conflicting</td>
<td>Moderate Salience – Instrumental Salience Only</td>
<td></td>
<td>Low Salience</td>
</tr>
</tbody>
</table>
Table 2
Strategic Cognition, Issue Type, and Responsiveness

<table>
<thead>
<tr>
<th>Relationship with Strategic Frame</th>
<th>Consistent</th>
<th>Conflicting</th>
<th>Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>True Opportunity – Substantive Accommodative</td>
<td>Frame Conflict – Substantive Negotiation</td>
<td>Expressive Opportunity – Symbolic Accommodative</td>
<td></td>
</tr>
<tr>
<td>Identity Conflict – Substantive Negotiation</td>
<td>True Threat – Substantive Defensive</td>
<td>Expressive Threat – Symbolic Defensive</td>
<td></td>
</tr>
<tr>
<td>Instrumental Opportunity – Symbolic Accommodative</td>
<td>Instrumental Threat – Symbolic Defensive</td>
<td>Non-Issue – No Response</td>
<td></td>
</tr>
<tr>
<td>Issue Type</td>
<td>Expected Response</td>
<td>Example</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
<td>-------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>True Opportunity</td>
<td>Substantive</td>
<td>New Belgium Brewery and wind power</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accommodative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>True Threat</td>
<td>Substantive</td>
<td>Google and SOPA legislation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Defensive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identity Conflict</td>
<td>Substantive</td>
<td>Google and China</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negotiation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frame Conflict</td>
<td>Substantive</td>
<td>New Belgium Brewery and aluminum cans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negotiation</td>
<td></td>
<td></td>
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<tr>
<td>Instrumental</td>
<td>Symbolic</td>
<td>Majority-vote and LTIP adoption</td>
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<tr>
<td>Opportunity</td>
<td>Accommodative</td>
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<td></td>
</tr>
<tr>
<td>Instrumental</td>
<td>Symbolic</td>
<td>Proxy access and NY/NJ Port Authority</td>
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<tr>
<td>Threat</td>
<td>Defensive</td>
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<td></td>
</tr>
<tr>
<td>Expressive Opportunity</td>
<td>Symbolic</td>
<td>Altruistic philanthropy: IBM and ArtSkills</td>
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<tr>
<td></td>
<td>Accommodative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expressive Threat</td>
<td>Symbolic</td>
<td>Extreme activism: PETA and Starbucks</td>
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<tr>
<td></td>
<td>Defensive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Issue</td>
<td>No Response</td>
<td>Gadfly shareholder resolution: Reincorporation in North Dakota</td>
<td></td>
</tr>
</tbody>
</table>
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