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Strategic choice in times of stagnant growth and uncertainty: An institutional theory and organizational change perspective

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ABSTRACT

This conceptual study provides insight into the strategic behaviors of firms facing slow growth in times of economic stagnation. Recognizing the inevitability of periods of economic stagnation—with another downturn expected as early as 2022, we note that most industry classifications are considered mature and characterized by a few extremely large companies in each industry group. We introduce the Fortune 500 as an important cross-industry collective of these large firms and suggest that they now comprise an institutional field. This development explains their isomorphic behavior during the recession triggered by the financial crisis of 2008 as well as their subsequent motivation for change. Using the pertinent literature from institutional theory and organizational change, we posit that the appropriate firm-level response (strategic choice) during periods of slow growth is to maintain legitimacy and membership in the field by adopting a proactive approach that focuses on improving top-line growth. We synthesize frameworks found in the literature and provide a "menu" of five strategic options companies should consider to turn their firms around by redirecting growth from the short term to the long term. We discuss implications for boards and executives anticipating significant economic deceleration.

1. Introduction

Part of the U.S. and global economic cycle, recessions are periods in which the economy contracts (NBER, 2022; Cleveland Fed, 2022). Based on historic evidence, Amadeo (2022) notes that recessions have been triggered by financial crises (1930, 2008), natural disasters (2019), business bubbles (2000), and geopolitical unrest (1975, 1980). Recessions create stock market volatility and economic uncertainty and discourage capital and corporate investment in future growth (La Monica, 2022; White, 2022; Cleveland Fed, 2022).

Signals that have preceded past recessions are currently becoming quite evident (Lacalle, 2022; Ezrate, 2022; Winck, 2022). In other words, "The recession drumbeat is gaining volume" (La Monica, 2022). Rising prices, especially for gas, food, and housing, are beginning to dampen consumer spending; production is slowing; and supply chain issues now appear to be long-term concerns rather than transient phenomena (La Monica, 2022; White, 2022; Zilber, 2022). The Federal Reserve has responded by increasing interest rates. Higher interest rates and pricing are likely to further impede consumer spending and create economic uncertainty (Lacalle, 2022; Zilber, 2022). Most recently, the yield curve has begun to invert, which has been a dependable predictor of past recessions (Goldfarb, 2002). In addition, geopolitical tensions with China and Russia reinforce forecasts of dramatically slower growth rates (Lacalle, 2022; La Monica, 2022).

Increasing concerns about economic stagnation create unique external uncertainty for businesses and uncover their underlying strategic weaknesses (Struckell et al., 2021). When assessing strategic response options, public companies interpret signals from the market, their boards of directors, and shareholders. Slow economic growth most often manifests in slow revenue growth and decreased demand. In such

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situations, companies often follow a path of cost-cutting or austerity, holding back on investment and waiting for the economy to rebound and for revenue growth (demand) pick up (Olsen et al., 2010). As Hanneman (2003) remarks, "It is much easier to wait for things to improve than to admit they have gone awry." During the recession that followed the 2008 financial crisis (i.e., "The Great Recession"), some economists debated whether the inertia of large public companies drove the economic slowdown or vice versa (Olsen et al., 2010). These large companies, often identified as the Fortune 500, comprise two-thirds of the U. S. economy (Fortune.com, 2022).

Population ecologists suggest that structural inertia limits an organization's ability to adapt (Hannan and Freeman, 1977). Cyert and March (1963) propose that firms attempt to avoid uncertainty rather than confront it. Tushman et al. (1986) suggest that inertia is driven by size and that larger organizations are more inert and isomorphic. However, the nature of uncertainty means that no company can determine what will ultimately happen: Will the economic stagnation be prolonged? Will it worsen and result in a recession? Or will the economy rebound? Will the companies impacted by uncertainty and economic adversity survive? For its part, the literature provides evidence of a decreasing lifespan for public firms and shortened CEO tenure.

In this paper, we first review institutional theory and show that most industry classifications in the U.S. have seen significant consolidation, which has created fewer extremely large companies (Freer et al., 2018). We categorize these large public companies that cross industries (we use the Fortune 500 as the best representation of the group) as their own institutional field—a field that we show shares environmental forces (i. e., government regulation and economic uncertainty), customers (i.e., investors), suppliers (i.e., banks), and institutional norms and behaviors. We demonstrate that the responses of the field's members to economic adversity during the period following the 2008 financial crisis were isomorphic and short-term oriented; nevertheless, they were rewarded by investors. History, however, suggests that such a short-term orientation will, over time, become transparent and signal firm decline.

We address the following research questions: How can firms that are part of an institutional field, such as the Fortune 500, begin to redirect their own focus and, ultimately, the field's focus from short-term activities toward longer-term growth? What strategic options should these firms' leadership teams consider? We suggest that institutional theory, while creating an isomorphic pull, may also supply the motivation for change. Member firms will seek to maintain membership and legitimacy in the field. Within the Fortune 500 field, in particular, membership is contingent on performance because only the top 500 corporations in terms of revenue comprise the field. Therefore, member companies facing slow revenue growth and economic stagnation should be at least partially motivated by the need to maintain membership in the field and respond with a sense of urgency by behaving as companies in turnaround. This strategic posture should place companies in a proactive rather than a "wait and see" mode, which, we argue, will better serve these companies regardless of the long-term economic outcome. In a sluggish economy, praying for an economic miracle and slashing costs is not the answer, even if the herd is doing it. Rather, businesses must remain dynamic and formulate strategies for top-line growth if they intend to survive (Hanneman, 2003). Companies with the strongest performance will maintain their membership in the field and continue to attract stakeholders, including investors. Therefore, in response to the final research question, we provide a synthesis of strategic options for companies to consider in this context. The synthesis includes strategic frameworks from the literature covering companies and industries facing stagnation and strategic choice (Table 2).

The paper calls attention to an important and reoccurring phenomenon—times of economic stagnation, and it calls on leaders and directors of large corporations, which are responsible for the majority of the U.S.'s economic growth, to direct their focus during these periods toward top-line growth—both as a means for their survival and legitimacy and as a responsibility to the U.S. economy.

The paper is divided into five sections. The first section is grounded in institutional theory and defines the Fortune 500 as an institutional field. The second section introduces economic adversity to the field and demonstrates the field's isomorphic short-term response. In the third section, we discuss the findings in the literature that shed light on how corporations break from the herd. Here, we present and support eight propositions. In the next section, we present a menu of five strategic options for leaders to consider. These options are grounded in theories of strategic renewal and reorientation as well as the literature on organizations in decline, stagnation, and turnaround. Finally, we discuss conclusions and implications. We provide practitioners with a call to action and a simplified set of options to consider when redirecting their attention to top-line growth. We also provide robust recommendations for future research.

2. Part 1: institutional theory support and definition of the Fortune 500 as an institutional field

2.1. Review of the institutional theory literature

A comprehensive review of institutional theory, the relevant elements of the theory, and the establishment of the institutional field as the unit of analysis follow to lay the groundwork for the first proposition. Few theories in management have been applied as extensively as institutional theory. Institutional theory is recognized as a leading perspective in organizational analysis (Pursey et al., 2009; Mizruchi and Fein, 1999; Palmer and Biggart, 2017). It is also important to research in sociology, political science, economics, management, human relations, and information systems (Weerakkody et al., 2009). Institutional theory helps to explain why so many organizations seem to develop remarkably similar characteristics.

2.1.1. Definition of an institution

At the core of institutional theory are institutions, which Scott (1995) best defines as follows: "Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior" (p. 33). Scott (2005) notes further that "[s]chemas, rules, norms, and routines become established as authoritative guidelines" for organizational conduct (p. 2). Meanwhile, Meyer and Rowan (1977) assert, "Institutions are social structures that reduce uncertainty by establishing a stable structure of interaction including conventions, codes of conduct, norms of behavior, laws, and contracts, which organizations incorporate to gain legitimacy, resources, stability, and enhanced survival prospects" (p. 341).

It is important to differentiate between institutions and member organizations. North (1990) uses the analogy of a game where the goal is to win. He differentiates the rules of the game from the players. Organizations are like teams, which share a common purpose and are influenced by the institutional framework (the rules and field of play). Organizations, in turn, influence the framework's evolution by incrementally modifying the rules. Some teams are more successful than others in monitoring play and making decisions regarding conformity based on the severity of punishment. The rules shape the character of the game; some rules are formal and codified, while others are unwritten (taken for granted) but nevertheless understood by all players. As with institutional rules, violations come with penalties.

2.1.2. Legitimacy

Central to institutional theory is the concept of legitimacy. Organizations gain legitimacy and thus survive, in part, by adopting the institutional norms, behaviors, and beliefs that are created by society, government, and public opinion. Firms also seek legitimacy to ensure their credibility with stakeholders. Legitimacy represents the congruence of the organization's activities and internal culture with the norms of the external environment (Pfeffer and Salancik, 1978; Meyer and Scott, 1983; Dowling and Pfeffer, 1975). Prior literature also indicates

that the actions of organizations that follow institutional norms are appropriate within some "socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995). Illustrating the effectiveness and enforcement of such norms are examples of public outrage over unacceptable behavior, such as police brutality, the Enron scandal, the Panama Papers leak, and Walgreens' attempt to reduce its tax burden by moving its headquarters offshore. More recently, more than 300 U.S.-headquartered companies have pulled out of Russia to indicate their disapproval of Russia's invasion of Ukraine (Kolhatkar, 2022). However, legitimacy can also provide a smoke screen to garner peer support and thus encourage behavior that would otherwise be deemed inappropriate. For example, massive employee layoffs were legitimized during the 2008 recession.

2.1.3. Institutional isomorphism

Driven by any combination of three isomorphic forces—coercive, mimetic, and normative, organizations within particular domains progress toward conformity in both structure and behavior (DiMaggio and Powell, 1983). Some theorists believe these three forces to be sequential, aligning with the stages of the industry life cycle (Pursey et al., 2009; Tolbert and Zucker, 1996). Moreover, DiMaggio and Powell (1983) explain the forces as "intermingled…mechanisms" that are not mutually exclusive (p. 150).

Coercive isomorphic pressures are political and exerted on organizations by important stakeholders, including other organizations, the public, the media, and the government (DiMaggio and Powell, 1983). Organizations depend on these stakeholders for resources, information, and credibility—all of which are crucial for the organizations' survival (Scott, 2005; Oliver, 1991; Abrahamson and Rosenkopf, 1993). These coercive isomorphic pressures "regulate the behavior of organizations by setting the rules, monitoring compliance and sanctioning behavior" (Pursey et al., 2009, p. 63). Coercive pressures can be formal or informal and codified or taken for granted. Further, they can take the form of mandated regulations (i.e., laws), persuasive behaviors (i.e., codes of conduct), or mutually beneficial practices (i.e., budgeting processes; DiMaggio and Powell, 1983). Coercive isomorphic pressures lead to rules that can be adopted ceremonially, passively, or actively (Meyer and Rowan, 1977).

Mimetic isomorphic pressures emerge under conditions of environmental uncertainty, which occur during the shakeout phase of an industry's life cycle and weed out weaker organizations (Scott, 2001; Jovanovic and MacDonald, 1994). To promote stability, the surviving organizations look to their leaders, who are perceived as more successful and legitimate, for answers and models (Pursey et al., 2009). Uncertainty becomes a powerful force encouraging imitation and the further adoption of institutional rules and norms (DiMaggio and Powell, 1983). Stabilization occurs as the remaining organizations become larger and stronger parts of a much broader collective system (Meyer and Rowan, 1977).

The remaining mature organizations feel the pressures of *normative or moral isomorphism*, which is characterized by more exclusive membership that requires more stringent credentials, including professional licenses, higher education levels, and higher standards of conduct and operations (Suchman, 1995). When normative or moral isomorphism occurs, the institutional group assumes control of the conditions of membership, reducing variations in policies and structures (Pursey et al., 2009). Normative isomorphism creates a higher standard of operation through the professionalism of membership (e.g., accounting policies, functional structures, and human resource practices), which can further define methods of work and structures (DiMaggio and Powell, 1983; Larson, 1979; Murray and Collins, 1980).

The *benefits of institutional isomorphism* include stability, legitimacy, status, reputation, access to resources, and avoidance of sanctions (Donaldson, 1995; Tolbert and Zucker, 1996; Meyer and Rowan, 1977). Two studies provide empirical evidence for a positive relationship between isomorphism and performance. A meta-analysis of institutional theory studies offers strong empirical evidence that each of the three isomorphic forces causes organizations to become more homogeneous (Pursey et al., 2009). Impressively, the study provides further evidence that isomorphism enhances both symbolic and substantive performance. The authors define symbolic performance as the conformity that results in increased legitimacy, stature, and reputation. The study suggests that symbolic performance subsequently contributes to an organization's substantive performance. In a second longitudinal study of commercial banks, Deephouse (1999) shows that conforming firms gain legitimacy, which decreases competition and increases their performance.

Fig. 1 illustrates the theoretical frameworks discussed thus far and reveals that as industries reach maturity, fewer larger firms remain; these firms are characterized by high levels of isomorphism and legitimacy and high performance relative to the industry. Normative isomorphic pressures create more exclusive membership with higher standards. The first drawing in the figure suggests a straight line from a large number of firms to fewer firms and an increasing pressure to conform over time. The second drawing in the figure, with a curve, may be more representative of the firm entry and selection process throughout the phases—entry, adolescence, and maturity (Jovanovic and MacDonald, 1994).

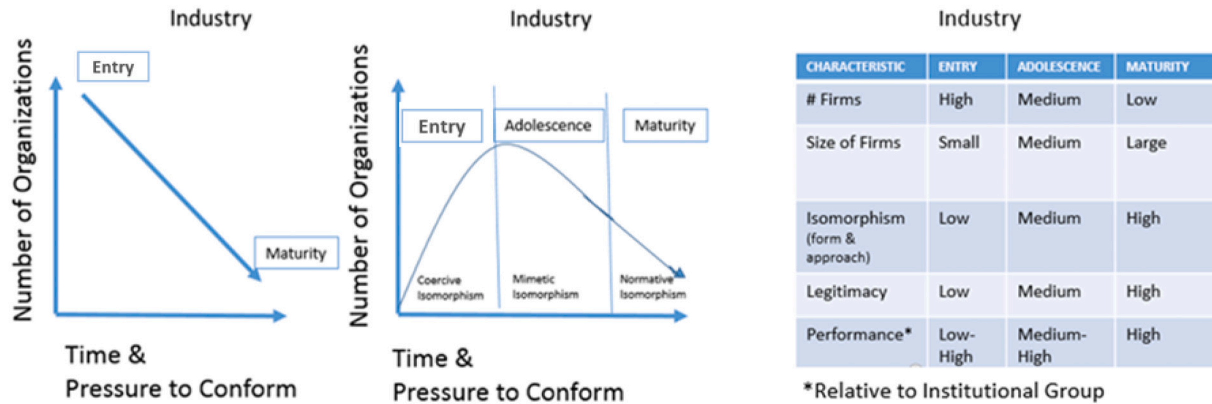
2.1.4. Process of institutional diffusion

One study suggests that institutional theorists have focused excessively on the notion of homogeneity as an outcome, while neglecting to examine the processes that create it (Hoffman, 2001). The question thus remains: How does isomorphism occur? According to the literature, the answer lies in the process of *diffusion* and *boundary spanning exchanges* (Meyer and Rowan, 1977; Pursey et al., 2009; Suchman, 1995; Ocasio, 1995). This notion is important because it moves the context of isomorphism from one of stability and inertia to one of continuous adaptation as member organizations share practices and information through the institutional network. Directors, the media, professional groups, and common suppliers, such as financial institutions, accountants, lawyers, management consultants, and professional associations, manage this continuous adaptation to diffuse the positions, policies, programs, and procedures that are enforced by public opinion, constituents, and other important external forces (Meyer and Rowan, 1977; Phillips et al., 2000; Scott, 2005; Abrahamson and Rosenkopf, 1993; Davis and Marquis, 2005). Top managers introduce new codes of conduct, norms, and behaviors on an ongoing basis, and members respond to environmental actions. For example, feeling investor pressure, corporations have responded to the #MeToo movement by adding more female directors to their boards (Billings et al., 2021). Billings et al. (2021) point to this behavior as an example of critical mass theory in group dynamics. Scholars have noted that social network theory can support the diffusion of social movements in organizations (Strang and Soule, 1998).

The process of adoption progresses through three stages: *habitualization, objectification,* and *sedimentation* (Tolbert and Zucker, 1996). This process reinforces the ability of an organization to choose the speed at which and level to which it will adopt institutional norms.

Habitualization is a pre-institutional stage in which some members (i.e., the early adopters) introduce and adopt a new concept. Others, meanwhile, merely consider it and employ a "wait and see" response—perhaps out of concern that the new concept may simply be a fad. Organizations at this stage generally make this decision based on internal efficiency measures, asking, "Will it help me or hurt me?" (Tolbert and Zucker, 1996). For example, as corporations' diversity and inclusion initiatives became more visible, some companies were leaders in such efforts. While these companies may have felt a moral obligation to this end, their efforts also benefited their organizations by increasing employee loyalty and their ability to attract talented young candidates.

Objectification occurs as a concept becomes more broadly diffused and accepted and adopters mimic the behavior of its champions. At the *sedimentation* stage, the concept is fully institutionalized and, therefore,



CHARACTERISTIC	ENTRY	ADOLESCENCE	MATURITY
# Firms	High	Medium	Low
Size of Firms	Small	Medium	Large
Isomorphism (form & approach)	Low	Medium	High
Legitimacy	Low	Medium	High
Performance*	Low-High	Medium-High	High

Fig. 1. Institutionalization process.

completely diffused throughout the member organizations. Organizations that have not adopted the concept may find themselves penalized by the network (public opinion, government fines, etc.). It is relevant to mention that the reverse of this process is also possible. In other words, a norm or behavior can be "deinstitutionalized" or removed from the system. For example, the practice of diversity hiring via promotion quotas has been deinstitutionalized as a result of the legal ramifications of reverse discrimination and the institutionalization of more appropriate and effective diversity mechanisms. The diagram in Fig. 2 illustrates this diffusion process.

2.1.5. Choice versus conformity debate

Thus far, we have discussed the pressures that drive isomorphism, an organization's motivation to seek legitimacy, the benefits of conformity, and the process by which new norms and rules are institutionalized. Some scholars debate the benefits versus the sacrifices of homogenization. As effective and important as it is, legitimacy not only serves as a resource for solving problems but also constrains the solutions available for consideration; thus, it presents a paradox to organizations (Oliver, 1991; Suchman, 1995; Ocasio, 1995). Barney (1991) and Porter (1991), among others, assert the need for organizations to differentiate themselves from their competitors to achieve sustainable advantage. Institutional theorists, however, suggest the opposite—i.e., that isomorphism decreases competition and improves performance (DiMaggio and Powell, 1983; Pfeffer and Salancik, 1978; Suchman, 1995).

Central to this debate is whether institutional theory allows for organizational choice. As previously discussed, organizations certainly have a choice in determining when they will adopt new norms and beliefs. The literature supports a compromise between organizations being constrained by the institutional system and their ability to exercise strategic choice (Bourgeois, 1984; DiMaggio and Powell, 1983; Oliver, 1991; Donaldson, 1995). Donaldson (1995) best captures this compromise: "Organizations are not slavish copies of the surrounding

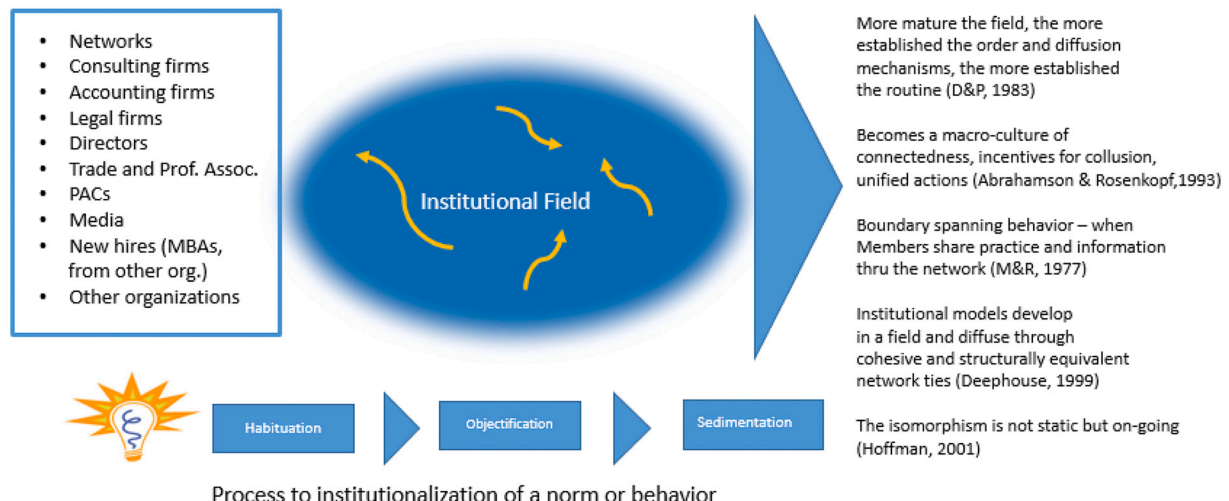


Fig. 2. Diffusion: process of institutionalizing a norm or behavior.

institutional system…and neither are managers' sociological dopes" (p. 126). Indeed, the strategic choice and institutional perspectives acknowledge one another (Bourgeois, 1984; Powell, 1983; Oliver, 1991). Other studies also support the idea that institutional theory allows for some level of choice and flexibility within a range of "strategic recipes" (Grinyer and Spender, 1979; Abrahamson and Rosenkopf, 1993; Chen and Hambrick, 1995; Deephouse, 1999). In a longitudinal study of commercial banks, Deephouse (1999) suggests that a strategic balance between choice and conformity provides the ideal mix of institutional legitimacy and competitive differentiation. Another study, however, contends that organizational success depends on the strength of the organization's leader to understand and balance the processes of efficiency and institutional isomorphism (Hirsch, 1975).

Decoupling is a mechanism within institutional theory that explains companies' efforts to balance the tension between institutional legitimacy and competitive differentiation. The pressures at the institutional (corporate) level are not always congruent with those at the internal (business unit) level where attention is focused on the efficient production of goods and services (Suchman, 1995). In institutional theory, *decoupling* serves as a coping mechanism that enables organizations to manage the complexity of and incongruence between internal operations and external stakeholders (Meyer and Rowan, 1977; Davis and Marquis, 2005). Decoupling occurs between the corporate level, which interacts with the institutional environment, and the business unit level, which handles the day-to-day operations and routines involved in the efficient production of goods and services. Decoupling can allow a large organization to have business units that are engaged in industry-level competitive activity even as the corporate headquarters focuses on field-level institutional isomorphism, firm survival, resources, and reputation (see Fig. 3).

2.1.6. Institutional fields

Many references to institutional theory focus on organizational-level behavior and imply an industry context (Pursey et al., 2009). Examining organizations solely within a particular industry, however, is no longer a sufficiently broad approach. DiMaggio and Powell (1983) introduced institutional theory as a field-level approach, and others have reinforced this approach as the appropriate unit of analysis (Scott, 1995; Deephouse, 1999; Davis and Marquis, 2005; Hoffman, 2001; Pursey et al., 2009). Organizations are deemed to inhabit the same field when they come to share a collection of rules and behaviors and recognize one another while participating in similar activities (Davis and Marquis, 2005). Eventually, a standard way of operating spans the institutional field. The field constituency defines both the prevailing perspective on organizational issues and the appropriate responses.

DiMaggio and Powell (1983) define the organizational field as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (p. 148). In follow-up articles, scholars have extended the same definition to institutional fields (Kostova et al., 2016; Hoffman, 2001). For example, Kostova et al. (2016) show that the field level of analysis has been used to describe multinational companies across industries. Similarly, some authors employ the terms "institutional field" and "organizational field" interchangeably (Kostova et al., 2016; Davis and Marquis, 2005; Hoffman, 2001).

In practice, the field comprises critical exchange partners, sources of funding, regulatory groups, professional and trade associations, special interest groups, the general public, and other sources of normative or cognitive influence that affect individual or organizational action (Scott, 2013). Given that the field has been the relevant unit of analysis since 1983, the dearth of research at the field level is surprising (Davis and Marquis, 2005). A field-level approach rather than an organization-level approach enables a more comprehensive view of institutional behavior and change (Hoffman, 2001).

Zietsma et al. (2017) review the literature on institutional fields and set the context for field-level evolution. The authors introduce six common pathways by which exogenous shocks generated from society, technology, or nature can force a field-level reorientation in the presence of a strong first-mover (either an incumbent or new field entrant) that is capable of reinterpreting the environment.

2.1.7. Summary

The thorough understanding institutional theory offers sets the stage for its use in this paper's first proposition. Specifically, the paper adopts DiMaggio and Powell's (1983) unit of analysis as an institutional field and builds on the elements of institutional theory, including legitimacy, isomorphism, the process of diffusion, the decoupling mechanism, and the flexibility of choice.

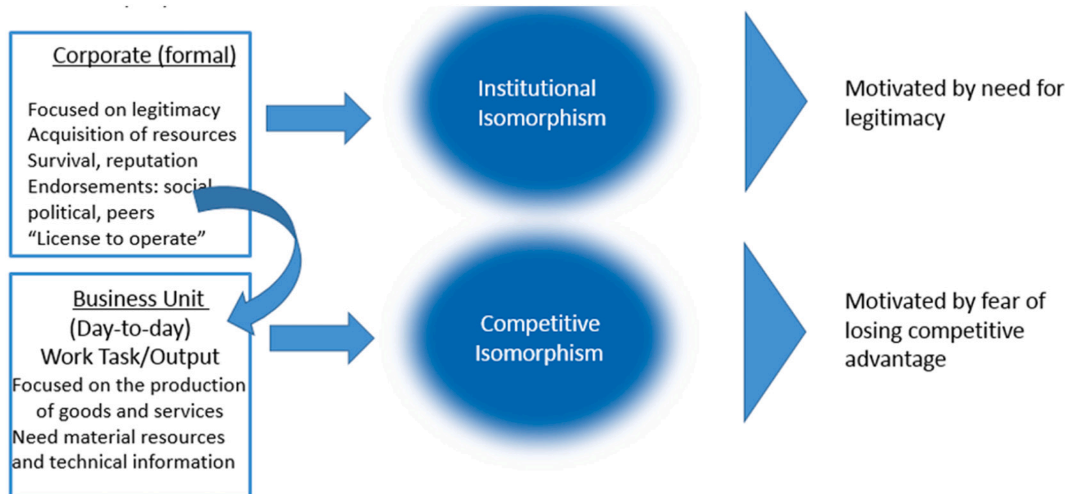


Fig. 3. Decoupling within the organization.

2.2. The case for the Fortune 500 as an institutional field

Max Weber's theory of bureaucracy (Weber, trans. 1947) established the formal, rational structure of organizations (Suddaby and Greenwood, 2005). Soon after strategic management became a legitimate discipline around 1970, however, Weber's rational framework was criticized, and a newer strategy of organizational design was launched to match the flood and diversity of businesses entering the market (Cyert and March, 1963; Maurer, 1971; Mintzberg and Waters, 1985). Ironically, today's largest and most mature organizations remain formal, highly structured, and rational—very similar to those described by Weber's bureaucracy (Ocasio, 1995). As networks involved in economic exchange and political management became larger and more complex, bureaucratic structures continued to be the most effective and rational means to standardize and control organizational behavior. The "formal structure is a blueprint for activities which includes, first of all, the table of organization: offices, departments, positions, and programs…linked by explicit goals and policies that make up a rational theory of how, and to what end, activities are to be fitted together—the essence of a modern bureaucratic organization" (Meyer and Rowan, 1977, p. 342).

In this paper, we posit that as industries mature and concentrate, leaving a few very large and powerful firms, the industry itself becomes less important to those large companies. These corporations become part of a stronger and broader collective system. In this situation, it makes sense that the few large firms across several industry fields would find new value in their membership in yet another field—a field of relevant peers sharing norms and beliefs—outside of their respective industries. Decoupling between the corporate level and the business unit (competing at the industry level) facilitates this transition. Fig. 4 illustrates the creation of a new institutional field from the top-performing members of various industry fields.

DiMaggio and Powell (1983) define a field as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products" (p. 148). Fig. 5 demonstrates that the Fortune 500 firms meet the criteria for an institutional field as a collective. At the bottom of the figure is a list of common suppliers, customers, regulatory agencies, and other producers of similar products shared by Fortune 500 corporations. For example, common suppliers include banks and other financial institutions, accounting firms, advertising agencies, and management consulting firms. Customers include institutional, individual, and foreign investors. Regulatory agencies include agencies of the U.S. government (i.e., SEC, FTC, and IRS). Finally, other producers of similar products include fellow members of the institutional field selling outstanding shares of stock. At the top of the figure are the mechanisms the field uses to diffuse institutional norms and behaviors, including mechanisms for inter-organizational interaction, patterns of domination and coalition, and avenues supporting mutual awareness (Phillips et al., 2000). An example of an inter-organizational interaction mechanism would be members of a corporation's board of directors who serve as officers of peer companies and/or as directors on the boards of peer companies. Patterns of domination and coalition would include lobbying efforts and PACs. The public press and published corporate studies are examples of mutual awareness.

The common institutional rules, norms, and behaviors shared across member corporations provide compelling evidence to support the Fortune 500 as an institutional field. Fig. 6 presents a sample of isomorphic institutional norms and behaviors in the following categories: mandated (laws), taken-for-granted financial (tax loopholes), administrative practices (codes of conduct, organizational behavior surveys), bandwagon initiatives (Total quality management (TQM), System Analysis Program Development (SAP), outsourcing), ceremonial rewards (Best Companies to Work For, World's Greatest Leaders, Malcolm Baldridge), and formal metrics (stock price, earnings per share [EPS], market share position). The Fortune 500 member corporations are teams competing to

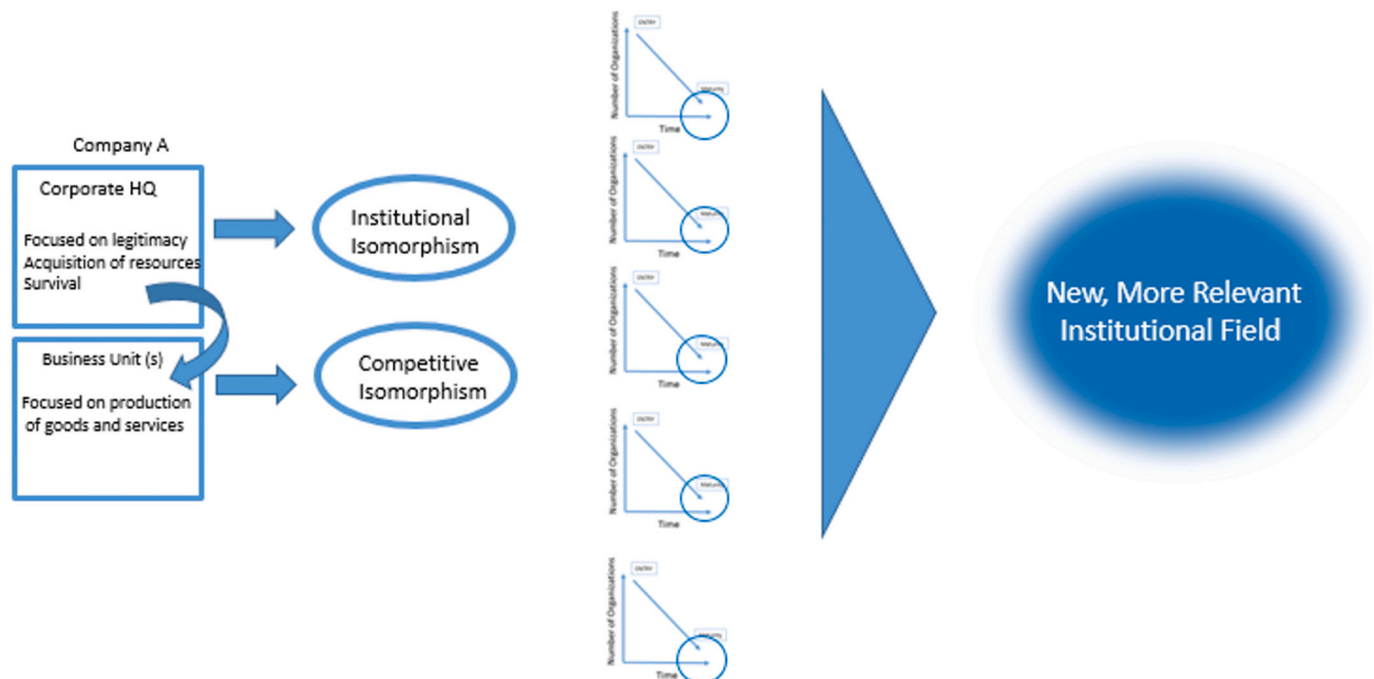


Fig. 4. Formation of a new institutional field.

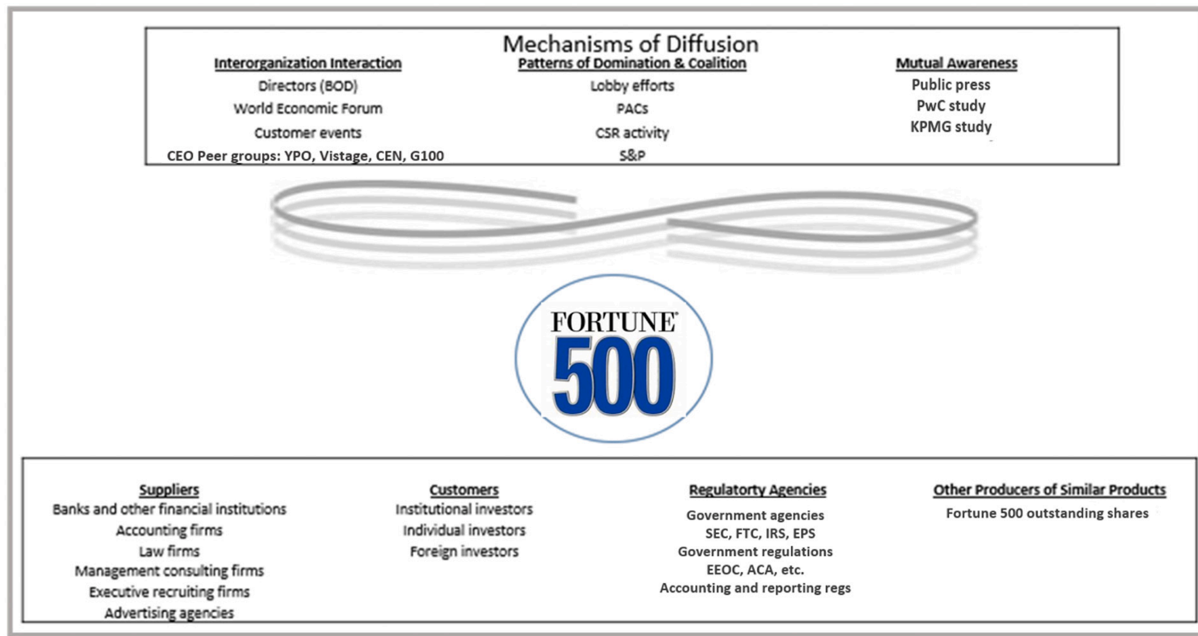


Fig. 5. Fortune 500 field mechanisms of diffusion.

Insitutional Rules, Norms, and Behaviors

Mandated	Taken-for-Granted Financial	Administrative Practices	Bandwagon Initiatives	Ceremonial Rewards	Formal Metrics
Tax code - corporate income tax rate	Tax loopholes	Organization structure	TQM	Fortune 500	Stock Price
(Sarbanes Oxley, stock option acounting, pension funding)	Fight against minimum wage increase	Budgeting and Planning Processes	SAP/Oracle	Global 500	EPS
Board of Directors	Stock buy-backs	Leadership team structures/titles	Re-engineering	Best Companies to work for	ROE
EEOC	Dividends	Compensation structures	Layoffs	Worlds Greatest Leaders	ROC
Civil Rights Act	Anti-takeover provisions	Security focus	Outsourcing	Most Powerful Women	D/E
US Constitution		Sexual harrassment policies	Offshoring	World's Most Admired Companies	Share Leadership
Non Smoking		Internet policies	CSR	Sustainability Leaders Awards	Brand Awareness
ACA (>50 employees)		Code of Conduct		Dow Jones Sustainability Index	
Minimum wage		Organization Health Surveys		Malcolm Baldridge National Quality	
Payroll tax		Affinity Networks		Best Performing CEO - HBR	
Family Leave		On-site daycare		World's Most Ethical Companies	
		Casual work environments		Best Corproate Citizens	
		Open Carry		Energy Star Partner Company	
				Brand Icon Award	
				"Out & Equal" Award	
				Top 100 Global Innovator	

Fig. 6. Fortune 500 field institutional rules, norms, and behaviors.

win the game—i.e., to secure the most investors, the most awards in the institutional field, and the highest stock price and EPS (North, 1990).

Important to this study is the definition of the Fortune 500—the largest U.S. corporations based on annual revenue. Field members are announced each year by *Fortune* magazine. Membership in the field is public and measurable. The term "Fortune 500" is synonymous with business success. In 2021, member firms generated an aggregated $14 trillion in revenue, which represented two-thirds of the U.S. economy (Fortune.com, 2022). Economists, journalists, and others recognize the Fortune 500 as a collective of the largest U.S. companies. For example, in a recent article in *The Economist*—"How many of America's top companies have a female CEO?"—the author uses the Fortune 500 as a proxy for those "top companies" (The Economist, 2020). Likewise, Williams (2022) highlights the Fortune 500 when roll calling companies that are withdrawing from Russia. A recent report on the economic outlook for 2022 featured input from Fortune 500 CEOs as the credible survey population (Iredell Economic Development Corp, 2021). Others recognize and name the collective as a final and definitive characteristic of a field.

Proposition 1. The Fortune 500 is an institutional field.

3. Part II: economic adversity and isomorphic response following the 2008 financial crisis

The case for economic stagnation following the 2008 financial crisis is effectively illustrated by the title of the February 2016 OECD economic update: "Stronger growth remains elusive: Urgent policy response is needed" (Mann, 2016). Mann, the OECD's chief economist, blamed weak trade, weak investment, commodity price declines, disappointing demand, low inflation, poor wage growth, and financial instability risks for negatively affecting consumption that ultimately drives the economy. The measures she offered were dire; only five times in 50 years had global trade growth dipped below GDP; at the time, however, it was dangerously close to doing so. Further, she noted that the volatility and uncertainty index was following a trajectory similar to the one

approaching the Lehman crisis. One month earlier at the World Economic Forum Meeting in Davos, global and U.S. CEOs discussed the dismal prospects for the global economy (McCarthy, 2016). The outcome of the presidential election was uncertain, an impending minimum wage increase was threatening small businesses (Beane, 2015), and the war chest of stimulus options appeared empty and uninspiring, with interest rates already near zero and the new threat of negative interest rates looming. Japan, the European Central Bank, and others had introduced negative interest rates and were unable to pass the rates along to depositors. Thus, they faced a financial squeeze that was cutting additional lending (Narioka, 2016). This compounded the squeeze already being felt by financial institutions due to bankruptcies and loan defaults that were beginning to surface from the oil crisis where the expectation of a rebound was low (Beane, 2015). Higher debt and debt limit increases were becoming a significant drag on the economy, impacting families, students, cities, states, corporations, and the U.S. government. In other words, nearly all business segments were feeling the impact (Beane, 2015).

Proposition 2. Following the 2008 financial crisis, the Fortune 500 institutional field was impacted by economic adversity.

3.1. *Isomorphic reaction to economic stagnation from the Fortune 500 institutional field*

In this section of the paper, we discuss the Fortune 500's isomorphic reactions to the economic adversity they faced following the 2008 financial crisis. First, we describe firms' reactions (What?). Then, we provide an explanation for those actions (Why?). Finally, we discuss the consequences of the actions (What if nothing changes?).

3.1.1. *What was the isomorphic reaction?*

The reaction of the largest public corporations (the Fortune 500 institutional field) to the economic stagnation and uncertainty felt during the financial crisis of 2008 was remarkably homogeneous and extremely short-term oriented. First, many of the member corporations had large cash reserves on their balance sheets, yet they were not investing the cash in growth. The largest companies held the largest cash reserves. In fact, 32 of the Fortune 500 held 81 % of the cash reserves (Macmillan et al., 2014). Second, they began using cash and low-interest rate loans to buy back stock and increase shareholder dividends. Third, they cut costs in similar ways, including layoffs, outsourcing, and the installation of software to drive efficiency and facilitate downsizing and thereby buoy profits against low, no, or negative top-line growth.

Large public corporations had cash on the balance sheet. Rather than allocating this cash to longer-term capital investments or R&D activity, however, they were choosing to allocate it to shorter-term actions that would lift EPS, boost stock prices, and please shareholders in the short term. In other words, companies operating in an environment of economic stagnation ceased investing for growth (Bartash, 2016). Capital expenditure, critical to sustaining long-term growth, was forecasted to be the lowest in four years (Valetkevitch, 2015; Macmillan et al., 2014).

A Reuters study of 3300 non-financial U.S. companies found that 60 % had participated in stock buybacks at historic levels and that the combination of spending on dividends and buybacks combined—over $885 billion—surpassed the companies' net income and represented over 113 % of capital expenditures and R&D expenses (Brettell et al., 2015). From 2009 to 2015 (post-recession), the S&P 500 companies repurchased a record $2.7 trillion in stock (Picardo, 2015).

Corporations were also taking drastic measures to improve their cost positions. Deep cost-cutting activity—most visible in massive layoffs, outsourcing, and moves to improve their tax positions, including mergers to relocate corporate headquarters to countries with lower tax rates—appeared part of the new institutional norms for the collective of the largest public U.S. companies. Corporate layoffs were up significantly. Job cuts in one month alone were up 113 % from the previous month and 43 % from the previous year (Richter, 2016). Breakups, mergers, and restructuring were costing America thousands of jobs (Shen, 2016).

Another disturbing new norm combined these layoff announcements with simultaneous stock buybacks. Biogen, Caterpillar, IBM, and PepsiCo all announced buyback programs in conjunction with an increase in their dividends and simultaneous layoffs. Concurrent with PepsiCo's stock buybacks and layoffs, the state of New York rewarded PepsiCo with generous subsidies to renovate its corporate headquarters and remain in the state. In February 2016, PepsiCo announced job cuts that it claimed would ensure an efficient and effective operating model and its ability to remain competitive (Lungariello and Garcia, 2015). An article in the *Winston-Salem Journal* details the outsourcing deals between PepsiCo and IBM. Certain PepsiCo finance and administrative employees were to be immediately transferred to IBM at a 10 % salary reduction. These employees were then subcontracted back to PepsiCo. PepsiCo benefited immediately from a reduction in payroll taxes and health benefits (Craver, 2013).

Some companies (i.e., Pfizer, Coca-Cola Enterprises, and CF Industries) initiated mergers to facilitate the relocation of their corporate headquarters to other countries and thereby take advantage of more advantageous tax environments (Weissmann, 2015; The Economist, 2016). This practice, known as inversion, allowed merging firms to choose new country domiciles. U.S. firms' motivation to pursue this path was significant, with the potential to reduce the corporate tax rate from 39 % in the U.S. to 12.5 % in Ireland, 20 % in the U.K., and 0 % in Bermuda (The Economist, 2016). Walgreens abandoned plans for such an inversion in 2014 because of public reaction and the threat of legislation to stop the attempt (Davies, 2014). Large companies were thus holding back and manipulating balance sheets to improve profitability while wooing investors with dividends, EPS growth driven through stock buybacks, and profit growth driven by cost-cutting.

3.1.2. *Why did the corporations in the Fortune 500 react in unison?*

Reasons for the Fortune 500 field's collective short-sighted response to economic adversity are evident in CEO surveys and public press articles. We offer six reasons: CEO economic uncertainty, activist investor pressure, crippling government regulation, the rewards available to CEOs and shareholders for their short-term actions, CEOs' lack of confidence in growth ideas, and their consequent risk aversion in making investments.

In a survey conducted by Price Waterhouse Cooper (PwC), 75 % of U. S. CEOs cited *economic uncertainty* as a top concern impacting their future growth perspectives (Long, 2016). In February 2016, PepsiCo Chairman and CEO Indra Nooyi remarked, "Over my several decades in business, we have never seen this combination of sustained headwinds across most economies combined with high volatility across global financial markets, slow economic growth or recession everywhere" (Wahba, 2016).

Shareholder activism grew exponentially following the financial crisis (Cloyd, 2015). The common goal was to force excess cash on the balance sheets back to shareholders in the form of buybacks and dividends (Monga et al., 2015) and to attack CEO pay formulas (Denning, 2016). For example, activist Harry Wilson forced GM to invest $5 billion in buybacks and distribute $25 billion in cash that had been accumulating on the balance sheet since the bailout (Reuters). According to Morgan Stanley's Activist Revolution Study, activist shareholders appeared successful—even with the largest targets and despite their relatively small stake in the corporations—by leveraging the media to draw attention to their cause (Zenner and Junek, 2015). Most significant was the time horizon of the average activist investment; half were for less than six months, and over two-thirds were for less than one year (Zenner and Junek, 2015).

A third excuse CEOs offered for their predicament was *crippling government regulation* and an adversarial relationship with the White House. In an interview, the president of the Business Roundtable cited

excessive government regulation, specifically the need for tax reform, as a top CEO concern (Long, 2015). Likewise, overregulation was the number one concern for 79 % of the 1500 CEOs in the PwC, 2016 Global CEO Survey (PwC, 2016).

During the period, the portfolio of short-term actions adopted by Fortune 500 field members was being *rewarded by analysts and investors*. The field's actions appeared to have resulted in positive stock price movement and higher dividends, which shifted cash from the companies' balance sheets to their shareholders' pockets. With a large share of CEO compensation in stock and options, CEOs were being generously rewarded. The CEO compensation formula is often partially calculated based on EPS, which increases as shares are repurchased. The CEO double dips when stocks rise and dividends increase. An additional impact of the short-term action is an immediate improvement in the corporation's EPS and return on equity (ROE) indices because fewer shares are outstanding (the denominator of the ratio is reduced).

In the short term, it seemed that increasing stock prices and dividends were an acceptable alternative to operating performance and top-line growth (Denning, 2016). For example, on April 19, 2016, after Citigroup announced its profits had fallen 27 % in the quarter, its stock increased because the loss had been anticipated and because the company simultaneously announced a stock buyback and dividend program. Bank of America and Goldman Sachs immediately followed suit (Keats, 2016).

A fifth reason for the Fortune 500's short-sighted response was a *lack of confidence among CEOs in their companies' prospects for long-term growth*. In a study conducted by the tax and auditing firm KPMG (KPMG, 2014), less than 20 % of U.S. CEO's expressed confidence in their companies' ability to deliver long-term growth. CEOs were fearful of making a bet on R&D investments that would not pay off, and their risk aversion was being rewarded (Brettell et al., 2015). The reasons were clear but concerning. As Dennis Nally, global chairman of PwC remarked, "There's no question that business leaders' confidence in both the global economy and their company growth prospects has taken a knock" (PwC, 2016). The study suggested that it had become "more difficult to pin down where growth will come from, but CEOs were still banking on familiar faces" (p. 8). Some CEOs contended that reduced demand for their products and services did not justify R&D spending or that they could not identify projects they felt would provide a non-dilutive return on capital employed (ROCE; Brettell et al., 2015). Corporate CEOs lacked confidence in their ability to drive long-term growth, and they were unable to deliver short-term revenue (top-line) growth (Bogenrief and Johnson, 2011).

Bottom line, there was no top-line…growth. Related to the stated lack of confidence in their long-term growth was the reality that top-line revenue growth had evaporated for firms in the Fortune 500 field. The largest corporations in America were deflecting attention from their income statements to their balance sheets. The economy had reset growth expectations for corporations in the U.S. to a new normal—low to no revenue growth with no sign of higher growth on the horizon (Gordon, 2012). According to a McKinsey study (Cao et al., 2011), before the recession, large companies, like those in the Fortune 500, had growth targets in the 5–8 % range. For a Walmart-sized company, the low end of the range would represent $24 billion in growth, a figure larger than most companies in the Fortune 500 achieve today.

No matter how powerful the Fortune 500 companies' internal R&D or how significant their innovation efforts, even a new $1 billion idea generated through organic growth would be extremely unlikely, take years to develop, and provide less than one-half a point of growth, hardly enough to excite the markets. Internal efforts in these companies were more likely to take the form of incremental innovation necessary to maintain the existing core business. Laurie et al. (2006) provide an example of the difficulty of maintaining continuous growth. Their evidence shows that companies entering the Fortune 500 had their highest growth in the year of membership entry and never grew faster than 2 % thereafter, with more years of negative growth than positive growth in the fifteen subsequent years (Laurie et al., 2006).

Real growth was difficult to achieve, and the field was being rewarded and even forced by activists to implement aggressive short-term oriented activity, including stock buybacks, dividend increases, and layoffs.

3.1.3. *What are the likely consequences of these actions?*

The predictable consequences of the short-term focus evident in the isomorphic behavior of the Fortune 500 field during this period include economic decline and company failure. Accounting profits are one thing, but economic profits are another; the latter are crucial to move society forward, create jobs, and increase living standards (Carter, 2016). History suggests that firms that are overly focused on EPS experience revenue declines. Eventually, their stocks begin to fall, and the only remaining course of action is additional cost-cutting. Over time, the consequences of short-term behavior will become evident and signal firm decline. A recession is thus a predictor of corporate failure (Richardson et al., 1998).

Fields comprised of large and powerful firms can influence the environment and the economy (Abrahamson and Fombrun, 1992). As Freeman (1982) notes, "Older, larger organizations can reach a point where they can dominate their environments rather than adjust to them" (p. 14). For example, large firms can employ lobbyists to influence public policy on their behalf. As they evolve, institutions can affect the performance of the economy and, at the same time, force their member organizations to respond to external environmental conditions. The lack of investment in these large corporations' growth, in turn, will impact the economy.

Economic stagnation should not, however, excuse firms' decision to ignore long-term growth. The actions of public companies during the period of study indicate that nearly all reacted to slowed growth and economic uncertainty in the same way, and this collective response was likely to have significant consequences for their survival and the economy. At some point, Wall Street analysts would began demanding real growth and wonder who was calling the shots—the investors or the CEOs.

Proposition 3. Economic adversity generated an isomorphic, short-term-oriented response from Fortune 500 institutional field members, which would predict the long-term negative impact of this short-term strategy on their survival and the economy.

4. Part III: how to get out of the mud and back on a growth trajectory

The following question thus presents itself: How can the corporations in the Fortune 500 institutional field get out of the mud of short-term isomorphism? As discussed earlier, institutional theory allows for some level of choice and flexibility within a range of "strategic recipes" (Grinyer and Spender, 1979; Abrahamson and Rosenkopf, 1993; Chen and Hambrick, 1995; Deephouse, 1999). Volberda et al.'s (2001a, 2001b) empirical study suggests that a field can begin to move in unison from short-term to longer-term strategies and toward a better balance between the two if several corporations lead the way. How, though, does the momentum begin? We reviewed the existing literature to answer two questions: How is the change stimulated, and what are the viable strategic options to return to a positive growth trajectory?

Our extensive literature review sought to understand research related to strategic change. Included in the review were studies regarding strategies for industries in decline, stagnant industries, strategies for turnarounds, strategic renewal, and strategic reorientation. Interestingly, much of the research and resulting models emerged in response to the adversity and options facing companies during two prior periods of economic adversity—the mid-1970s and the late 1980s through the early 1990s. These prior periods resembled the economic uncertainty facing major corporations during the study period. Table 1

Table 1
Literature review on change stimulation.

Framework	Authors	How to Stimulate Change	Corrective Mechanisms
Decline:			
BCG matrix application	Morrison and Wensley, 1991		x
Four generic endgame strategies	Harrigan and Porter, 1989		x
Change trajectories	McGahan, 2004	x	x
Strategic formulation in decline—Taggart model	Taggart, 1995	x	x
Model of environmental decline	Zammuto and Cameron, 1985	x	x
Hamermesh & Silk Model	Hamermesh and Silk, 1979		x
Diversification Strategies in Decline	Anand and Singh, 1997		x
Strobe Model	Venkatraman, 1989		x
Turnaround:			
Turnaround strategies	McKiernan, 2003	x	x
Strategic Renewal/Reorientation:			
Strategic renewal	Huff et al., 1992	x	x
Strategic renewal	Volberda et al., 2001a	x	
Strategic renewal	Volberda et al., 2001b		x
Strategic reorientation	Tushman et al., 1986	x	x

provides a summary while the Appendix offers a narrative review for interested readers.

4.1. What stimulates the need for action?

We suggest that the stimulation for action appears first at the member level. Economic stagnation creates unique external uncertainty, a cover for underlying strategic weakness at the field member level. Ultimately, a business must remain dynamic and formulate strategies for top-line growth if it intends to survive (Hanneman, 2003).

4.2. Theoretical motivation for change

Researchers have noted that leaders (CEOs and boards) play an active and intentional role in steering strategic decisions and orchestrating the execution to adapt, integrate, and reconfigure organizational skills and resources (Birkinshaw and Gupta, 2013; Eisenhardt and Martin, 2000; Lavie and Rosenkopf, 2006; O'Reilly and Tushman, 2011). Strategy scholars agree that to survive, companies must reinvent themselves over time and especially in changing environments (Ahuja and Morris Lampert, 2001; Barton et al., 2017; Burgelman, 1983; Kotter, 2012). Public companies, facing constant pressure to deliver growth each quarter, are not allowed merely to maintain the status quo lest they fall behind their competitors (Barton et al., 2017). The motivation of nearly every CEO is to find ways to improve and grow their companies in both the short and long term. However, growth must have a benchmark beyond the prior year's performance, and organizations must consider their competitors while aiming to exceed their performance—i.e., to achieve competitive advantage (Popadiuk, 2012). In the case of the Fortune 500, we suggest that the quest for competitive advantage is to maintain membership in the field and increase rank versus other field members.

Institutional theory suggests that in times of instability and uncertainty, organizations look to their leaders—those perceived to be more successful and legitimate—for answers and models (Pursey et al., 2009). This section synthesizes the literature review findings to identify four triggers for strategic change. First, the environmental impact (duration and/or intensity) on a leading member of the field must reach a break point that mandates action. Second, an external CEO succession has become a common mechanism driving strategic change. Third, although unpopular with CEOs and boards, shareholder activists force organizations out of inertia. Finally, we suggest that the motivation to maintain legitimacy (i.e., membership in the field) is linked to survival and should be considered an underlying motivator.

4.3. The pain must be great enough

Seven studies and/or frameworks (Table 1) in the literature provide some understanding of the factors that prompt an organization to undertake significant strategic change in the face of economic stagnation and adversity. While these studies exhibit some variation, the consistency in the approaches can be summarized in one statement: The impact of the change must be significant enough to the business's performance that strategic action becomes a mandate (McGahan, 2004; Taggart, 1995; Zammuto and Cameron, 1985; McKiernan, 2003; Huff et al., 1992; Volberda et al., 2001a; Volberda et al., 2001b; E. Tushman et al., 1986). Consistent across all of the studies is the inertial tendency of management to ignore or deny the environmental impact and to respond with inadequate incremental change until the situation becomes a crisis. The paradox is that the longer the delay in acknowledgment and strategic action, the fewer the viable strategic options available.

McGahan (2004) suggests that organizations tend to ignore the need to change until a "breaking point" (p. 88). The Taggart (1995) model incorporates the anticipation of change and intensity of change through discontinuous change (little time to react and, therefore, few options) and continuous change (time for management to respond but no guarantee that managers will take advantage of that time; Taggart, 1995). The Huff et al. (1992) model incorporates the key dimensions of time and stress. Organizational stress is characterized as an acknowledgment that the current strategy is not working, with symptoms such as subpar performance, changes in competitive activity, and demand changes driven by demographics and new leadership. The authors suggest that in the absence of stress, organizations will persist with the status quo. The McKiernan (2003) turnaround model suggests that turnaround strategies and the probability of success are contingent upon the appropriate timing of an organization's action based on an anticipated drop of the organization's performance below expectations.

The literature suggests that the stimulus for action is the appearance of an environmental impact that creates an organizational crisis significant enough (in intensity and/or duration) to break through leadership and organizational inertia and force a leadership response toward a successful realignment of strategy consistent with the environment.

Proposition 4. It takes an environmental impact of great intensity and/or duration to break a field member's inertia and stimulate strategic change.

4.4. When performance is low, the CEO must go

Surprisingly, only one article in the literature review asserts that the incumbent leadership may be incapable of an adequate response; therefore, strategic change may only be possible following CEO succession (Tushman et al., 1986). We deemed this finding so crucial that we conducted a further literature review on CEO succession.

A striking finding throughout the scenarios, which is not, however, explicitly highlighted as a significant step in reorienting a firm's strategy, is the low likelihood that the incumbent CEO can successfully champion the necessary change (Boeker, 1997; Goodstein and Boeker,

1991; Tushman et al., 1986). The longer the CEO's tenure, the more rigid the CEO becomes, thus decreasing his or her odds of success (Boeker, 1997). In particular, executives who have experienced prior success may become complacent to environmental threats. Hannan and Freeman (1984) argue that organizational success exacerbates inertia, creating organizational resistance to change. Organizational success can also make top managers feel safe in ignoring exogenous threats (Dutton and Duncan, 1987). After striving diligently for success, an incumbent CEO may simply lack the energy or the objectivity to respond aggressively to performance issues that require strategic change (Tushman et al., 1986). The incumbent leadership thus may not be capable of an adequate response. Further compounding the situation is the fact that more mature companies tend to have more homogeneous and path-dependent leadership teams (Tushman et al., 1986).

Leadership is recognized, at least in part, as a contributor to organizational decline (Huff et al., 1992; Tushman et al., 1986). The CEO is responsible for formulating and executing firm strategy, and when that strategy is not working (typically measured by performance below expectations), the CEO is *accountable* (Lenz and Lyles, 1986). Likewise, the board of directors, responsible for monitoring governance and performance on behalf of shareholders, is "*legally liable* for strategic outcomes" (Goodstein and Boeker, 1991, p. 309, emphasis added). It is, therefore, unsurprising that the board will often decide to replace the CEO when the strategy in place is failing to drive the necessary results even after an attempt to reorient the strategy. Quite simply, "Boards monitor and fire executives for poor firm performance" (Weisbach, 1988; Kosnik, 1987), and executive change creates an important stimulus for overcoming strategic inertia (Ocasio, 1995; Pfeffer and Salancik, 1978; Keck and Tushman, 1993). An empirical study conducted by Tushman et al. (1986) found that executive changes are often made as a catalyst for strategic reorientation, especially in the case of public companies.

The literature supports the conclusion that the replacement of a CEO with an internal candidate can lead to a maintenance strategy (Tushman and Romanelli, 1985; Goodstein and Boeker, 1991; Dalton and Kesner, 1985). Internal candidates struggle to respond to the change mandate. In fact, they often resist change, finding it difficult to alter the existing strategy, which they had a hand in creating (Hannan & Freeman, 1984; Tushman and Romanelli, 1985). Despite these findings, 78 % of new CEO hires are insiders (Heidrick and Struggles, 2021; Long, 2016). A newly released study conducted by the executive search firm Spencer Stuart found that 80 % of the S&P 500 firms that had selected a new CEO in 2015 promoted an insider to the position (Lubin, 2016). Empirical research supports these survey findings. In a study of NYSE companies, only 14.6 % of CEO successions were filled with external candidates (Dalton and Kesner, 1985). Thus, it appears that large companies favor internal candidates even though—or perhaps because—these candidates tend to maintain the status quo.

The CEO succession literature makes it clear that the CEO most likely to initiate strategic change is the "outsider." Tushman et al. (1986) found that "externally recruited executives are more than three times as likely to initiate frame-breaking changes than existing executive teams" (p. 592). Outside successions stimulate major organizational changes, including changes in strategy, culture, and administrative processes (Greiner and Bhambri, 1989; Dalton and Kesner, 1985; Tushman et al., 1986; Tushman and Romanelli, 1985). According to Miles et al. (1978), new top managers recruited from the outside typically initiate change and determine the firm's new strategic direction. Outside executive succession provides opportunities for existing power relationships to be altered and for new strategic perspectives to be introduced (Goodstein and Boeker, 1991). A recent example of an outsider CEO reenergizing a company is Brian Cornell, CEO of Target Corporation. The first CEO to be recruited from outside the company in the firm's history, Cornell framed the challenge he faced as "reinventing Target, getting Target back on track, and rebuilding momentum" (Bloomberg.com, 2015). He began with strong assets (an iconic brand and over 1800 stores) and consumers who love the Target experience, which is defined in the tagline "Expect More for Less.™" Cornell set out a clear strategy, which includes understanding the consumer and the Target experience and delivering on it via high quality, on-trend merchandise and excellent value. Further, he has focused on simple daily metrics—guest traffic and frequency. In doing so, he has re-energized the firm's stock price and increased employee and customer excitement as well as revenue growth (Moylan, 2015).

Proposition 5. It is unlikely that an incumbent CEO will be able to lead a strategic reorientation, and therefore, CEO succession, especially the introduction of an outsider, will increase the probability of success.

4.5. Shareholder activists will shake it up if the board and CEO won't make a move

A shareholder activist acquires an equity stake in a corporation to put pressure on its management to implement change, often demanding board representation (Golden et al., 2016). Historic levels of shareholder activism followed the financial crisis in 2008 (Castellanos et al., 2015; Zenner and Junek, 2015). Early activity focused on returning cash on the balance sheet to shareholders (as discussed), while later campaigns shifted toward recovery initiatives and significant strategic restructuring, including operations, acquisitions, and divestitures (Golden et al., 2016).

The activist is a change agent seeking "to directly challenge management and the status quo." They target large companies, in particular, looking for underperformance or value-creating opportunities (Zenner and Junek, 2015). For example, Starboard Value targeted the board of Darden Restaurants with a plan to significantly change the company—for instance, by making investments in restaurant technology and improving employee communications. Ultimately, it was able to improve ROIC each quarter over three years, with Darden outperforming the S&P 500 (Trainer, 2016). With only a 1 % share in Proctor and Gamble, Pershing Square Capital Management was likewise dissatisfied with the company's anemic stock performance and claimed a board seat to influence Proctor and Gamble's strategy. Meanwhile, following market share losses, stakeholders targeted PepsiCo with an aim to divide the company in two—snacks and beverages (Thurm and Benoit, 2016).

Proposition 6. An activist shareholder will act as a change agent if the current leadership is complacent and strategic opportunities are being neglected.

4.6. Field membership and legitimacy present motivation

While institutional theory is most often characterized by inertia and isomorphic behavior, especially with field maturity, we propose that, to some extent, field members are also motivated by legitimacy—a desire to become and remain part of the Fortune 500 "club." *Fortune* magazine announces field membership each year based on revenue size. Membership in the field is public and measurable, and the name Fortune 500 is synonymous with business success.

Unlike some institutional memberships, Fortune 500 members may struggle to remain in the field because of the revenue performance requirement. One study provides evidence that companies entering the Fortune 500 exhibited their highest growth in the year of entry but never grew faster than 2 % thereafter, with more years of negative than positive growth in the following fifteen years (Laurie et al., 2006). In a study of membership longevity, only 10 % of Fortune 500 companies in 1960 remained members in 2017 (Perry, 2017). Likewise, in a study of corporate longevity in the S&P 500, a similar collective, the average tenure of member companies plummeted from 20 years in 1990 to 10 years in 2017 (Perry, 2017). This is consistent with the findings of a study by the consulting firm Innosight (Anthony et al., 2016), which reported that the average lifespan of U.S. public companies dropped from 60 years in 1960 to 18 years in 2011.

Deephouse (1999) suggests that field members must be similar enough to maintain legitimacy but different enough to compete. We build on that concept by asserting that field leaders and sometimes new entrants secure legitimacy by introducing innovation and experimentation (Zietsma et al., 2017). Such changes at the member level can occur in response to declining revenue, competition, and stagnation, and they can trigger field-level diversion followed by realignment (Zietsma et al., 2017). The Fortune 500 field is unique in its "physical structure," which is defined by a ranking that organizes the field and allows for the evolution of its social dynamics and norms (Beckert, 2010). The Fortune 500 field is defined, among other aspects (i.e., social norms and rules), by a physical structure—a ranking of the top companies in the U.S., with only those firms contributing the highest revenue announced as members each year. Once in the group, most members desire to remain in it. Thus, we contend that the legitimacy to maintain membership is, in itself, a motivator for strategic change.

Proposition 7. Legitimacy, defined as the desire to remain a member of the Fortune 500, requires revenue performance and thus provides some motivation for strategic change.

An empirical study suggests that a field can begin to move together from short-term to longer-term strategies and toward a better balance between the two if several corporations lead the way (Volberda et al., 2001a, 2001b). First movers reinterpret the environment and set a strategic direction that may be incongruent with the prevailing field-level behavior (Beckert, 2010). In this way, they establish a new path for field-level evolution (Zietsma et al., 2017).

Proposition 8. When leading field members begin to make strategic changes, the entire herd is more likely to move, and field-level norms are more likely to evolve.

5. Part IV: a menu of strategic recipes

5.1. *Once the fuse is lit, what are the strategic change options?*

Some scholars acknowledge that institutional theory allows for strategic choice and flexibility within a range of "strategic recipes" (Grinyer and Spender, 1979; Abrahamson and Rosenkopf, 1993; Chen and Hambrick, 1995; Deephouse, 1999). Table 1 summarizes the literature we reviewed on the strategic options available to companies facing environmental adversity and economic stagnation. While each framework and perspective offers some unique insights, striking similarities appear regarding decline, stagnation, turnaround, renewal, and reorientation. We have reframed the strategic options across the literature into a new, simpler framework (Table 2), which includes the five categories discussed below.

5.2. *Recipe 1: shore the core*

The strategies that fall under this category relate to the core business. Most of the corporations in the Fortune 500 field are share leaders in their respective industries. Elements of this strategic option begin with an objective that supports the core business; the company must aggressively pursue this objective to grow and insulate core business market share, thereby gaining control of the market to reduce competition and provide margin and pricing liberation (Harrigan and Porter, 1989). The frameworks suggest that big players (the focus of the study) will take any opportunity to consolidate the industry (acquisition of competitors), increase share, and "build a moat around the core business" (Brettell et al., 2015; Anand and Singh, 1997).

Tactics that fall within this strategic option include effectiveness and growth-driving initiatives—for example, the introduction of new ideas that capitalize on "core assets or core activities" through organic

Table 2
Literature review on stagnation and strategic choice.

Shore the Core	Shore the Core	Enrich the Niche	Cut the Crap	Nearby Diversify	Unsafe Escape
BCG matrix (Morrison and Wensley, 1991)	Cash cow—harvest (no investment, take cash)	Stars—reinvest in high growth segments	Divest dogs		
Four generic endgame strategies (Harrigan and Porter, 1989)	Invest and lead; then consolidate the industry and raise prices	*Re*-establish business to focus on growth niche, and divest the rest	Divest dead wood, quick divest ahead of the pack		
Change trajectories (McGahan, 2004)		Intermediate—move into newer growth areas of industry			Radical change is required; neither core assets nor activities are viable
Strategic formulation in decline (Taggart, 1995)	Domain offense—expand products and markets in an existing domain		Domain consolidation—divest non-core business and assets to reinvest in others	Domain creation—diversify and innovate outside of the existing core	Domain substitution—shift domains; shut down one and look for another
Model of environmental decline (Zammuto and Cameron, 1985)				Dissolution—proactive diversification to transition and search for alternative strategies	Collapse—reactive response, elimination
Hamermesh and Silk (1979)	Focus on efficiency or production and distribution. Cost reduction focus; never milk or harvest	Identify, create, and exploit industry growth segments			
Diversification strategies in decline (Anand and Singh, 1997)	Consolidation—M&A only				
STROBE model (Venkatraman, 1989)	Defend—focus on quality and cost; avoid inertia	Proactively invest in low-risk growth segments	Proactively prune mature business to free resource	Look for nearby investment opportunities for growth	
Turnaround strategies (McKiernan, 2006)	Retrenchment—cut costs and buy time to set strategy				

development, M&As, or partnerships (McGahan, 2004). Investment in quality and product innovation (i.e., patents) around the core helps to insulate the leadership position and hold off competition (Hamermesh and Silk, 1979; Venkatraman, 1989). Examples of this strategy include the merger of Kraft Foods and Heinz, which consolidated two large food manufacturers to become the third-largest food manufacturer in the world with sales of $28 billion in revenue (KraftHeinz.com; Cimilluca et al., 2015), as well as the global beer industry consolidation (Kerchner, 2015). In 2016, Anheuser-Busch InBev acquired SABMiller to fortify its position as a global industry leader in the beer market (Gren, 2019). Consolidation in the tobacco industry has also allowed the largest companies in the industry to continue to grow their revenues even as cigarette smoking rates have continued to decline (Statista, 2020). Quality is an integral element of this strategic option. Cornell expresses the importance of quality as a cornerstone in the Target turnaround and a significant part of the unique Target experience (Bloomberg, 2015). Another example that fits this strategy is CVS—a corporation that gave up $2 billion in sales when it stopped the sale of tobacco products to align its practices with the company's new broader business definition of personal healthcare (Sellers, 2015).

While investments can insulate market leadership, efficiencies must also be a strong focus. Core cost cuts must be part of a company's retrenchment activity to strengthen its position (Venkatraman, 1989; Zammuto and Cameron, 1985). Although the BCG matrix suggests a harvest strategy (Morrison and Wensley, 1991) and Hamermesh and Silk (1979) would say never harvest, the strategic option presented here suggests a two-phased approach of shoring up the core and then capitalizing on the company's strength through strategic price increases, cost-cutting, and margin expansion. These cost-cutting and efficiency measures are reflective of the measures many of the corporations in the Fortune 500 are already taking, as previously discussed.

5.3. Recipe 2: enrich the niche

The second category of effective strategic options for companies operating in stagnation and uncertainty is to "enrich the niche." This strategy is built on the assumption that "[t]here is a high-growth segment somewhere in every industry you can think of" (Hamermesh and Silk, 1979). It involves identifying the highest growth segments in the business and investing in them to create a critical mass and thus capture a leadership position (Morrison and Wensley, 1991; McGahan, 2004; Hamermesh and Silk, 1979; Venkatraman, 1989; Harrigan and Porter, 1989). These growth segments might include a customer segment, product line, or geographic area. The BCG matrix calls this the STAR quadrant (Morrison and Wensley, 1991). When the movie theater industry was consolidating, AMC found a growth segment in shopping mall theaters and began to aggressively build this type of theater while closing less profitable locations (Hamermesh and Silk, 1979). At Target, Brian Cornell highlighted three signature categories—style, babies and kids, and wellness, which the company is focusing on growing three times faster than its overall growth. Craft beer, meanwhile, has been the fastest-growing beer segment for a decade. It now represents 12 % of beer sales and is expected to continue growing at a double-digit rate through 2027. To get in the craft beer game, AB InBev has acquired ten craft breweries (Hancock, 2020). Likewise, Altria, the number two player in the tobacco industry, acquired a significant stake in Juul, the largest company in the rapidly growing e-cigarette segment (Goldman, 2018). As the sugared soft drinks category continues to decline, Pepsi and Coke have similarly expanded beverage offerings in new higher growth segments, such as energy drinks and bottled water (Doering, 2018).

5.4. Recipe 3: cut the crap

The third strategic option refers to the rapid and aggressive divestiture of non-core businesses (Morrison and Wensley, 1991; Harrigan and Porter, 1989; Taggart, 1995; Venkatraman, 1989). These businesses are characterized as dogs in the BCG matrix (Morrison and Wensley, 1991). The strategy of building conglomerates using unrelated diversification was common during the 1970s when large companies, prevented from acquiring similar businesses, gobbled up unrelated businesses. For example, PepsiCo owned Wilson Sporting Goods, Greyhound Bus Lines, and North American Van Lines, and in the 1990s, Coke acquired Columbia pictures. Research indicates that most of these unrelated diversifications ended in divestitures and a return to the core business.

The key to this strategy is timing. Several authors assert the need to rapidly divest ahead of the competition to ensure a wide range of buyers and the most advantageous sales price (Harrigan and Porter, 1989). The divestiture of non-core businesses allows companies to refocus resources and attention on core and new growth areas. While some companies may be concerned that divestitures take away businesses that allow them to maintain an efficient spread of overhead, scholars typically characterize these concerns as a delay tactic (McGahan, 2004). A fitting example of this strategy is Target selling its 1600 in-store pharmacies to CVS for $2 billion. The partnership reinforces Target's image and better serves the company's customers; as Cornell noted, CVS could deliver a better pharmacy product to their customers. The key to this strategy is the belief that the divested business may be more valuable to another party. Recently, private equity companies have sought such divestitures to merge into other related businesses and thus create a new critical mass for portfolio growth (Jacobius, 2021). PepsiCo recently divested refrigerated juices, including Tropicana, to a private equity firm. The business category was not an operational fit, with these drinks' sugar content overshadowing the healthiness of juice (Lucas, 2021).

5.5. Recipe 4: diversify nearby

Ansoff (1957) was the first to differentiate related versus unrelated diversification strategies. Rumelt (1982) found that related diversification outperformed unrelated diversification. Empirical studies have shown that strategically related diversification trumps market-related diversification and that both outperform unrelated diversification (Markides and Williamson, 1994). In an empirical study, horizontal and related acquisitions that acted to consolidate industries were found to promote long-term performance (both ROA and stock market performance), while unrelated diversifications were unlikely to yield positive performance. The findings revealed that unrelated diversification acquisitions were unlikely to result in positive performance in either growth or decline states (Anand and Singh, 1997). An example is the growing popularity of hard seltzers and the simultaneous decline of traditional beers among alcoholic beverages. To participate in the high-growth hard seltzer category, AB InBev acquired Mike's Hard and Flying Fish and launched its own hard seltzer line, Bud Light Seltzer (Arthur, 2021). To focus on this new adjacent category, AB InBev created the Beyond Beer business division, which delivered over $1 billion in revenue growth to offset beer decline.

CVS also provides an excellent example of successful related diversification. CVS broadened its domain beyond retail pharmacy to become a major healthcare player in terms of the share of total prescription drugs dispensed, and the company has now become a low-cost producer. CVS began by acquiring Caremark Mail Service Pharmacy and then added Omnicare to become the largest provider of pharmacy products to long-term care facilities. CVS is also the second largest provider of benefits management to health insurers and corporations. In addition, it expanded to offer over 1000 in-store clinics, thus becoming the largest chain of retail clinics in the world. Meanwhile, the company closed 7900 unprofitable locations, stopped selling $2 billion in tobacco products, and recently acquired the Target in-store pharmacy business (1600 locations) for $2 billion. CVS's change agent is Helena Foulkes, an insider who is ranked #14 among Forbes's Most Powerful Women (Howard, 2015). Its stock price has risen from $36 in 2012 to over $100 a share in

2016, revenue growth is up 9 %, and profits are up 13 % in the subsequent 12 months.

5.6. Recipe 5: unsafe escape

Both the Taggart (1995) and the Zammuto and Cameron (1985) models include domain creation strategies that recommend a proactive search for alternative strategies outside of the domain be considered. This strategic option involves a radical transformation (McGahan, 2004) in which the essence of the business is changed and the domain is shifted entirely—as it would when a company moves from one industry to another. Such situations leave open to debate whether the business remains the business or if one business has died and a new one has been born. In any case, this strategy is not commonly employed.

One company can undergo metamorphosis by acquiring a company in another industry and then selling the original company or part of it. An example of this strategy is illustrated by the evolution of Westinghouse Electric Co. (PBT, 2022). The company was founded in the 1800s as an electric company and evolved into a manufacturer and distributor of electric appliances and other industrial energy-related businesses. In 1990, Westinghouse acquired CBS Corp. (news, entertainment, and stations) and sold its industrial and appliance divisions. The company changed its name to CBS Corp. and later acquired Infinity Broadcasting, moving its headquarters from Pittsburgh to New York City. Westinghouse thus morphed from an electric company to an entertainment company with few remnants of its former self. Each step led to an increase in the value of the new entity (PBT, 2022).

Table 2 summarizes the five strategic options for companies in declining or stagnant industries: Shore of the Core, Enrich the Niche, Cut the Crap, Diversify Nearby, and Unsafe Escape. Each of these strategic options or a combination of them can promote growth even in a slow economy or stagnant industry.

6. Part V: conclusions, implications, and future research

This paper recognizes recession as a challenging but predictable part of the U.S. and global economic cycle. A recession creates stock market volatility and economic uncertainty and chokes off capital and corporate investment in future growth (La Monica, 2022; White, 2022; Cleveland Fed, 2022). We call attention to the importance of large company behavior during recessionary periods. These companies represent as much as two-thirds of the U.S. economy, deliver the largest proportion of U.S. tax revenues, and employ millions of Americans. Thus, they can either impede or enable economic growth. We contend that during the Great Recession large companies acted collectively as members of a cross-industry institutional field. Through a review of relevant institutional theory, we illustrate the common stakeholders, norms, rules, and behaviors that conceptualize the Fortune 500 institutional field.

Next, we describe and utilize institutional theory to explain the field's short-term oriented isomorphic response to what is interpreted as significant and sustained stagnant economic growth. While investors rewarded the field's homogeneous short-sighted behaviors, including operational cost-cutting (i.e., massive layoffs) and stock buybacks and dividend investments over investment in future growth, history and prior research predict that such short-sighted behavior is likely to amplify negative economic impacts and lead to significant consequences, including the death of corporations and increasing unemployment.

When creating value in a low-growth economy, the BCG matrix suggests that winners do not succeed by playing it safe, paying down debt, driving down costs, conserving cash, and waiting for conditions to improve (Olsen et al., 2010). Hanneman (2003) notes that in a sluggish economy, a strategy of cutting costs and hoping for an economic upturn is not sufficient; rather, a business must remain dynamic. In the short term, corporations seek to increase shareholder value by increasing dividends and stock repurchases, but such an increase in shareholder value will not last forever if innovative products or services are not in the pipeline. Such firms will no longer have options to pursue revenue growth.

In this paper, we answer two research questions: (1) How can firms that are part of an institutional field, such as the Fortune 500, begin to redirect their own focus and, ultimately, the field's focus from short-term activities toward longer-term growth? (2) What strategic options should these firms' leadership teams consider?

To answer the first question, the study explores the factors necessary to shift field members' behavior toward longer-term activities. We note that institutional theory supports shifts and evolutions in field-level norms and behaviors over time, often led by leader members. The ultimate job of the CEO and board is to identify ways to grow and improve. The leadership must position the company for long-term sustainability, which requires the development of a strategy and the management of its implementation. Because strategies have a lifespan, the leadership is responsible for interpreting the environment and the company performance to keep the company relevant. In these efforts, the status quo is not a legitimate option.

In this paper we argue that pursuing strategic change is fundamental to firms' growth. We present four catalysts that are most likely to force member companies' decisions to pursue strategic change. First, to overcome organizational and leadership inertia, company performance must fall to dangerous levels for extended periods. We show that the resulting pain—experienced as subpar performance and/or the erosion of stock prices—must be sufficient to overcome field-level inertia and isomorphism and prompt a strategic shift toward longer-term, top-line oriented activity. Second, when company management and boards are not willing to commit to a strategic choice, shareholder activists will step in to counter the inertia and urgently demand change. Third, successful change efforts are most often led by new CEOs and, in particular, external candidates who bring objectivity, diverse experiences, and energy to the change effort. Fourth, we suggest that the legitimacy required to maintain membership in the field is a motivator.

To address RQ2, we propose a limit to the strategic options available for growth, regardless of the mechanism for change. One of the consequences of short-term behavior and recession is a lack of investment in future growth. CEOs surveyed during the period expressed a lack of confidence in identifying growth initiatives. We recognize this risk aversion, understanding that CEOs with a strong growth strategy are more likely to feel confident about their growth prospects. We thus present leadership with a menu of five strategic options to consider when deciding to pursue a strategic growth path.

We synthesize frameworks from the extant research on renewal, turnaround, strategic reorientation, and decline to simplify the strategic options available to members to achieve growth in such situations. In any context, a company's strategy must align with the firm's environment (Wernerfelt and Karnani, 1987). The reality is that the economy may never rebound and the slow growth environment may be long-lasting. Firms that move sooner versus later will better position themselves to weather the storm. If the economy recovers, early-mover firms will be well-positioned to reap the benefit of a demand increase. Most importantly, when firms are forced to seriously consider their demise and craft growth strategies to avoid it, they become more resilient to recession.

The literature identifies crucial paths toward success during recessionary periods, which we have attempted to elucidate—a path to maintain legitimacy in the field and a path to growth.

6.1. Theoretical contributions

We offer a thorough summary of all aspects of institutional theory to identify and understand field-level behavior. Likewise, we provide an exhaustive review of the frameworks advanced in the prior literature related to firms and industries in decline, renewal, reorientation, and turnaround (Tables 1 and 2 and the Appendix). We contribute to the

body of literature on institutional fields, identify the Fortune 500 as a cross-industry institutional field, and discuss member companies' use of legitimacy to support herd behavior. We identify four triggers most likely to motivate companies (field members) to overcome their inertia and isomorphic short-term oriented behavior in favor of strategic change. Finally, we provide a concise synthesis, or menu, of strategic options based on the frameworks presented in the literature on strategic change, renewal, decline, and turnaround.

6.2. Leadership implications

This study provides a call to action and guide for CEOs and board members within the U.S.'s largest public corporations. "No action" has consequences, including sustained economic stagnation. We present a compelling path, which identifies a proactive versus reactive response as the best approach to reorient a company from a short-term focus to longer-term growth. A company can proactively approach strategic renewal or wait until performance has fallen so low that it is forced to act by outside activists and/or CEO termination and replacement. We remind leaders that with institutionalized pressures from social media and stakeholders the need to respond quickly to environmental changes is increasingly important. We present leadership with a menu of five strategic options to consider once a company has decided on a strategic growth path.

Our call for CEOs to increasingly exercise strategic options also begs the question of the elasticity of effort–outcome for CEOs and board members. If most behaviors are increasingly institutionalized and isomorphism is increasing, the unique value of strategy-making may be on the decline, and the advantages of firm size and deep pockets may be at work. In contrast to the traditional considerations of strategic deviance, institutional isomorphism promotes cooperation rather than competition in the prisoner's dilemma. The management of large firms may focus on coordinated institutional actions that help to maintain such firms' strategic standing. This multidimensional convergence in non-strategic actions and increasing stakeholder pressure may reduce the value of strategic management and require institutional maneuvering with strategy in the backseat—but in the same vehicle nevertheless.

6.3. Implications for society

The use of the institutional lens rather than the strategic management lens is critical given the nation-state type behaviors of large firms. This study highlights the importance of large public corporations to the economy, including their contribution to tax revenues and employment. Certainly, the size and importance of these large companies makes recent anti-trust sentiments concerning large corporations, especially in the technology sector, seem appropriate. For example, when compared to country revenue (economies), Walmart is ranked 10th, Exxon Mobil is ranked 20th, and Apple is ranked 23rd. In fact, countries hold 29 of the top 100 spots by revenue while corporations hold the majority (Babik et al., 2018). Walmart employs more people than the total population of fifteen U.S. states (Gaille, 2014). Apple, Microsoft, Amazon, Google, and Facebook have been described as more powerful and more similar to governments than companies (Gross, 2017). While government grants from the Department of Defense funded much of the earliest technological innovation, private companies now have the resources and motivation to innovate without the government's support.

We also draw attention to the increasing power of the individual through social media. We note a direct line of communication between the individual and the corporation via external or internal social media networks. The power of this line of communication, which is quick and efficient, appears to reduce the need for government regulation. The role of this line of communication, moreover, is especially crucial at a time when divisiveness in the government is impeding legislative progress. For example, companies' efforts to promote sustainability are outpacing those of the government.

6.4. Future research

This conceptual study focuses on the isomorphic behavior of the Fortune 500 companies following the 2008 financial crisis. We use the industry life cycle and companies' isomorphic behaviors during the study period to identify the Fortune 500 as an institutional field. We illustrate the common stakeholders, norms, rules, and behaviors to conceptualize the Fortune 500 institutional field. With that field clearly identified, researchers can use it in future field-level research. Future research can also exploit variations in the degrees of recessionary shocks and the ensuing behaviors among large firms across countries. It is plausible that between- and within-country coordination among firms may add another dimension to the possibility of the cross-country institutionalization of behaviors.

This study does not include an assessment of firms' actual behavioral changes following the period of stagnation. Future research may thus extend the study to investigate the strategic choices of member companies, which member companies moved first, and how quickly field-level movement became apparent. Analysis of 10-K reports, earnings calls, and press release timings could further inform coordination among firms. These observations of field-level behavior could also be used to identify patterns of behaviors using sequence analysis methodologies. Future researchers might seek to understand when the Fortune 500 field became an institutionalized field and match its development to the life cycle and institutional stages discussed in the paper. In addition, future researchers can look back to prior recessions to study the evolution of the Fortune 500 field.

The literature on institutional theory highlights the dearth of studies on institutions at the field level (Davis and Marquis, 2005) and the need to empirically understand how fields evolve and what motivates the changes (Zietsma et al., 2017). Future research can provide empirical support for our conceptual study. In addition, we focus our argument on the short-term isomorphic behavior of firms in the field based on journal accounts during the study period. Future research might measure the consequences experienced by firms that resisted change. For example, dependent variables might include stock price change, net operating income growth, revenue growth, and EPS change. Independent variables could include price-to-earnings ratio (P/E), dividend change, merger and acquisition activity, activist intervention, employee change, and CEO change. Researchers could then examine the relationship between changes in activity (i.e., the independent variables) and performance (i.e., the dependent variables).

Replication studies are not popular among researchers. However, the dynamic nature of the economic environment and the maturing of industry classifications makes the replication of earlier studies within a more current context valuable to both leaders and researchers. For example, Richardson et al.'s (1998) study found recession to be highly correlated with corporate failure. Researchers have the opportunity to use the Fortune 500 field as the population of study and determine if our findings continue to hold as the environment has continued to evolve over 25 years after the Great Recession.

Companies may be best positioned for future scenarios if they can both please their shareholders in the short term and invest in long-term growth to advance the same shareholders' long-term interest. Future research can investigate this dual allocation of activity and investment, which this study highlights, using the mechanism of organizational ambidexterity (O'Reilly and Tushman, 2011). The responsibility of a public company is to return long-term value to its shareholders through value creation. While some strategies return shareholder value in the short-term, most scholars argue that creating value through top-line growth provides the most robust mechanism for long-term shareholder value.

Our reviewers suggested another interesting theoretical topic for future research, which involves studying the relationship between social

networking theory and institutional theory. On the surface, social networking is critical to the exposure, consideration, and overall diffusion of new concepts within an institutional field. Likewise, we note that social media has significantly broadened exposure, which makes it more difficult for companies in a field to "sit by and wait" because those that do will be likely "called out" by stakeholders. Social media can thus both expedite and broaden corporate reactions to events. For example, social media pressures prompted CEOs to make statements regarding the Black Lives Matter social movement (Schulz, 2017) and U.S. companies doing business in Russia to pull out regardless of the cost (Kolhatkar, 2022).

Some additional areas fell beyond the scope of this research but should be studied in the future to bring attention to this important phenomenon by capitalizing on the full range of the existing literature. For example, the CEO selection process for a turnaround or change effort is extremely important. The literature has shown that while an external CEO candidate is more likely to succeed than an internal candidate or the incumbent CEO, more than 50 % of external candidates nevertheless fail in their first 18 months. According to the annual CEO study conducted by PwC (Lentini, 2015), CEO turnover costs a company $1.8 billion and happens, on average, more frequently than every five years. Relatedly, the area of transformational leadership has the potential to complement our findings, but these efforts were not within the scope of our paper as originally designed. Tamny (2015) notes, "Great CEOs are like champion athletes—they are rare and important and should be well compensated…bad decisions are worth billions" (np). This begs the question: How does a company identify a qualified candidate?

Finally, studies suggest that large companies can impact the economy. This poses the further question of which comes first—the corporation driving growth or the rebound of the economy? This, too, is an area worthy of future study.

6.5. Conclusion

This theoretical piece directs attention to an important phenomenon—company response in times of economic stagnation, and it calls on boards and leaders to refocus their strategy on growth. We provide a clear path forward with a simplified list of viable strategic options that leaders can consider in redirecting their corporations from short-term activity toward top-line growth. By pursuing these options, firms can overcome inertia and move out of the herd.

CRediT authorship contribution statement

Elisabeth Struckell: Conceptualization, Writing – original draft, Writing – review & editing. **Divesh Ojha:** Conceptualization, Writing – review & editing. **Pankaj C. Patel:** Writing – review & editing. **Amandeep Dhir:** Writing – review & editing.

Appendix A. Supplementary data

Supplementary data to this article can be found online at https://doi.org/10.1016/j.techfore.2022.121839.

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