INSTITUTIONAL AND ORGANIZATIONAL UNDERPINNINGS OF CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE PRACTICES: BIST LISTED COMPANIES, 2010-2017

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ABSTRACT

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Master Thesis, Department of Management and Organization

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New institutionalism attaches importance to institutional effects in explaining the adoption or diffusion of organizational practices. Although isomorphism and decoupling are commonly studied concepts, studies examining both of these are rare. In addition, organizational practices are often examined individually in the literature, and the consequences of their differences are not considered. In this thesis, in order to conceptualize the deficiencies in the literature and to contribute to these issues with empirical analysis, this thesis examines the adoption and decoupling of two different organizational practices. These practices are corporate social responsibility and corporate governance. Since these are different practices, their adoption is thought to be shaped by different institutional and organizational antecedents. In addition, it is assumed that decoupling in different applications is determined by different predictors. In this exploratory research, empirical data were collected for companies listed in Borsa Istanbul (BIST) for the years 2010-2017. Data on the institutional and organizational antecedents of these practices regarding the extent to which these companies have adopted and implemented corporate governance and corporate social responsibility were collected and analyzed longitudinally. Empirical findings show that the antecedents of adoption and practice differ, and that the antecedents of each differ also between the practices that we examine.

Keywords: corporate governance, corporate social responsibility, decoupling, new institutionalism

ÖZET

KURUMSAL SOSYAL SORUMLULUK VE KURUMSAL YÖNETİŞİM UYGULAMALARININ KURUMSAL VE ÖRGÜTSEL ÖNCÜLLERİ: BİST ŞİRKETLERİ, 2010-2017

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Yeni kurumsalcılık, örgütsel uygulamaların benimsenmesini veya yayılımını açıklarken kurumsal etkilere önem vermektedir. Eşbiçimlilik ve ayırma yaygın olarak ele alınan kavramlar olmakla birlikte bunların ikisinin birlikte incelendiği çalışmalar nadirdir. Ayrıca, örgütsel uygulamalar araştırmalarda genellikle tek tek ele alınmakta, bunların farklılıklarının doğurabileceği sonuçlar dikkate alınmamaktadır. Yazındaki söz konusu eksiklerin kavramsallaştırılmasına ve görgül incelemeyle bu hususlarda katkı sağlanmasına yönelik olarak bu tezde iki ayrı örgütsel uygulamanın benimsenmesi ve bunların uygulanmasında ayırma incelenmektedir. Söz konusu uygulamalar, kurumsal sosyal sorumluluk ve kurumsal yönetişimdir. Bunlar, farklı uygulamalar oldukları için benimsenmelerinin de farklı kurumsal ve örgütsel öncüller tarafından şekillendirildiği düşünülmüştür. Bunun yanı sıra, farklı uygulamalarda ayırma da farklı öncüller tarafından belirlendiği varsayılmıştır. Bu keşifsel araştırmada görgül veriler Borsa İstanbul'a (BİST) kayıtlı olan şirketler hakkında 2010-2017 yılları için toplanmıştır. Bu şirketlerin kurumsal yönetişimi ve kurumsal sosyal sorumluluğu ne ölçüde benimsedikleri ve uyguladıklarına dair söz konusu uygulamalara ilişkin kurumsal ve örgütsel öncüllere dair veriler boylamsal olarak toplanmış ve analiz edilmiştir. Görgül bulgular benimseme ve uygulamanın öncüllerinin farklılaştığını ve ayrıca her birinin öncüllerinin uygulamalar arasında da farklılaştığını göstermektedir.

Anahtar Kelimeler: ayırma, kurumsal sosyal sorumluluk, kurumsal yönetişim, yeni kurumsalcılık

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Introduction

The decoupling of organizational practices has been an attractive topic in new institutionalism and has been subject to much discussion. These discussions mostly focus on explicating variances stem from institutional pressures and organizational responses. Institutional theory is regarded as one of the most robust sociological perspectives within organizational theory (Greenwood & Hinings, 1996) and has been able to provide a wide scope to examine cases ranging from individual firm responses to macro frameworks (Ang & Cummings, 1997; Scott, 2008). Early work in institutional theory mainly focused on external pressures shaping organizational structures. Meyer and Rowan (1977) argued that formal structures reflect the myths in their environment and organizations try to incorporate the ceremonial requirements that have little connection with efficiency and technical activities. Later on DiMaggio and Powell (1983) suggested a causal mechanism and discussed the mimetic, coercive and normative mechanisms of isomorphism. The inconsistency among institutionalized elements and attempts to control and coordinate activities cause conflict and legitimacy loss. In that case, organizations may rely on partial solutions or try to resolve inconsistencies through decoupling (Meyer & Rowan 1977; DiMaggio & Powell 1983).

The plural and contradictory external pressure in the institutional environment may stem from uncertainty, power and authority, or professionalization. When organizations are subject to such conflicting pressures to align their policies and practices, the organizational response might be buffering (Pfeffer & Salancik, 1978) or decoupling (Meyer & Rowan, 1977). In effect, the concept of decoupling means that organizations aim to maintain ceremonial conformity, tend to buffer their formal structures from the uncertainties of the environment by becoming decoupled, building gaps between their formal structures and actual activities. Thus, decoupling would be rendered advantageous by avoided integration, neglected implementation, and ceremonialized evaluation and inspection (Meyer & Rowan, 1977).

Earlier discussions suggest a gap between policy and practice where policies are ceremonially adopted; monitored weakly so that policies are disconnected from daily practices. Later on, Bromley and Powell (2012) powerfully argued that this is not the only form of decoupling and discussed that in contemporary organizations means-ends decoupling is more prevalent. The latter type asserts that organizations may implement rules and policies where organizational activities have real consequences and are evaluated. But the link between the implemented policies and outcomes is not clear. The distinction of two types can be thought of symbolic adoption (policy-practice decoupling) and symbolic implementation (means-ends decoupling). In contemporary societies, external pressures towards standardization, evaluation and transparency may result in policy-practice decoupling to become less prevalent while means-ends decoupling to become more common.

Common feature of most of the decoupling studies is that they mostly focus on a gap between policy and practice and focus on one practice such as CEO compensation, total quality management and stock repurchasing programs (Westphal & Zajac, 1994, 1998, 2001; Tilcsik, 2010; Kostova & Roth, 2002; Zajac & Westphal, 1995). For example, MacLean and Behnam (2010) explore symbolic adoption of a compliance program to achieve legitimacy. In another study, symbolic adoption of total quality management is demonstrated by Westphal, Gulati, and Shortell (1997), who provide evidence for the proposition that organizations symbolically adopt practices to gain legitimacy.

Due to the nature of business world considering organizational and institutional pressures, there might be a tendency for some of the organizations to decouple or in other words there might be differences in adoption and implementation of the practices. These variations may stem from internal (organizational) or external (institutional) characteristics of the organizations. Symbolic adoption and symbolic implementation both affected by external pressures but symbolic implementation requires larger internal changes (Bromley, Hwang, & Powell, 2012).

Organizations may adopt new practices where the relation between policies and their intended outcome is opaque. In other words, they may try to realize ends that are disconnected from core organizational activities such as corporate social responsibility (CSR) (Basu & Palazzo, 2007; Devinney, 2009) and corporate governance (CG) (Aguilera, Desender, Bednar, & Lee, 2015; Davis, 2005) practices.

The concept of CSR has a rich history incorporating multiple dimensions such as economic, legal, ethical and philanthropic expectations of the society. So, companies are expected to engage in activities to serve a wider societal good (Carroll, 1991; Matten& Moon, 2008). Over the years many scholars have proposed varied definitions (see Dahlsrud, 2008 for a review) but a singular definition is not present (Carroll & Brown, 2018). Under conflicting expectations, coupled with mimetic isomorphism, companies may adopt or implement CSR policies symbolically.

The concept of CG has drawn global attention and become a concern for Turkey as well. After banking crisis of 2000, regulatory agencies took precautions following OECD's CG guidelines (Ararat, 2016). In a broad sense, CG is conceptualized as "the study of power and influence over decision-making within the company" (Aguilera & Jackson, 2010). Under conflicting expectations, coupled with coercive isomorphism, companies may adopt or implement CG policies symbolically.

Thus, my aim with this thesis is to explore the antecedents of CSR and CG adoption and implementation. In other words, I aim to identify the antecedents of adoption and implementation for two practices. There is a recent research call for examining the adoption and implementation of institutional practices (Jeong & Kim, 2018). So, the purpose of this study is to investigate and test empirically whether the determinants of adoption and implementation differ from each other. Also, the aim here is to understand if the antecedents vary between CSR and CG. Lastly, my aim is to classify the antecedents in two sets as organizational and institutional antecedents.

For this purpose, I conducted a quantitative research on listed companies in Turkey. Observation window covers the years between 2010 and 2017. I manually collected and coded data that pertain to CG and CSR adoption and implementation from companies' annual reports. Using two sets of dependent variables I intend to capture adoption and implementation of CG and CSR practices. To analyze CG adoption, I coded whether the company published a CG Principles Compliance Report, which is mandatory but not costly. In order to analyze CG implementation I coded whether companies obtained CG Rating, which is voluntary and costly. To analyze CSR adoption, I analyzed the CSR references in the annual reports with determining the number of times "bağış" and "sosyal sorumluluk" (donation and social responsibility, respectively) are cited in the annual reports. Lastly, to analyze CSR implementation, I collected information regarding CSR expenditures from annual reports. For the predictor variables, I use age, size, performance, and financial power as organizational predictors. Lastly for the institutional predictors, I use membership to TÜSİAD and MÜSİAD, foreign partnership, as well as prior adoption or implementation by the respective business group, sector, or all listed companies in the sample.

The dissertation is organized as follows. In the next chapter, I provide a literature review on decoupling. Then I review CSR and CG literatures and provide information regarding concepts and how they may be decoupled. In Chapter 4, I present methodology, describing the sample and data, data sources, variables, and analysis methods. In Chapter 5, I present the results. The dissertation concludes with a discussion in Chapter 6.

Literature Review

Institutions and Legitimacy

Early research in institutional theory emphasized the creation of social order which is provided by the institutions (such as laws, norms, or generally accepted beliefs) that people have formed through interaction. While people form these institutions, their behaviors are shaped by these institutions which function as exogenous forces. Organizations are part of this order as social entities. Their formal structures derive from institutions. The elements of rationalized formal structure are deeply rooted in and capture prevalent understandings of social reality. In their foundational paper, Meyer and Rowan (1977) posit a framework that elaborates the origins of formal structure in a postindustrial society where institutional rules that function as myths reflect the institutional environment apart from the goal of technical efficiency. Highly institutionalized elements of this structure function as myths and this structure is not only a product of the networks but also creation of the contemporary societies' social norms where formal structures are embraced profoundly (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). The rationalized elements are influential on organizations with regard to definition of new organizing situations, redefinition of existing ones, and facilitating participants to design along appointed lines.

While answering the question of why organizations tend to comply with institutions, it is argued that compliance with institutions makes them legitimate, in other words, it makes them socially acceptable. Legitimacy is the "generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate, within some socially constructed system of norms, values, beliefs, and definitions"

(Suchman, 1995, p. 574). Legitimacy facilitates the provision of resources for the survival of organizations by different social groups (government, professional organizations, customers, and suppliers) where the interorganizational relations allow a practice to become legitimate in connection to legitimate others (Galaskiewicz, 1985; Pfeffer, & Salancik, 1978). As a result, organizations subject to similar institutions adopt organizational structures and management practices imposed by these institutions and become isomorphic with the myths in their environment.

Another important argument of the new institutional theory is that the organizations attempt to gain legitimacy in a conscious or unconscious, taken-for-granted, manner. It is argued that the most important reason for this is that legitimacy has increased the survival of organizations. Hence, the central point in institutional theory is to understand the composition of an organization that is socially accepted with conforming to “rationalized myths” (Boxenbaum & Jonsson, 2008). For instance, Deephouse (1996) showed that banks are acting in accordance with institutions to strengthen their legitimacy. So it is not only an assumption but also proven and tested by scholars.

The development of the concept of legitimacy has a central focus in the new institutional theory and presents substantial elasticity (Deephouse & Suchman, 2008). Weber is credited with introduction of legitimacy into sociological theory (Johnson, Dowd & Ridgeway, 2006; Deephouse & Suchman, 2008; Suchman, 1995) and has been subject to interpretation by many theorists. One of the foundational papers (Meyer & Rowan, 1977) of the new institutional theory made legitimacy central to their analysis but did not offer a clear definition of legitimacy. Others offered various definitions and different approaches (Meyer & Scott, 1983; Galaskiewicz, 1985; Asforth & Gibbs, 1990; Elsbach & Sutton, 1992; Elsbach, 1994). In 1995, Scott and

Suchman offered two definitions which are regarded as prominent in the development of the theory. In that study, Suchman discusses that legitimacy is almost self-evident between organizations and in their cultural environment and occurs as a result of an adaptation. Although there have been controversial ideas pertaining to definition and measurement of legitimacy (see, Deephouse & Suchman, 2008), it is apparent that legitimacy located between an organization and its institutional environment because no single organization itself can be a source of legitimacy (Jeong & Kim, 2018). Therefore, as an organizational form or practice becomes legitimized, it is institutionalized and diffuse as organizations adopt these institutionalized forms or practices. Put it in other words, there is a focus on how specific management practices diffuse in organizational field and how organizations adopt and implement these practices. The adoption of a practice by a large number of organizations is presented as an indicator of both the institutionalization of that practice and the isomorphism in the organizational field. As the evaluation of the practice as successful spread in the field it is adopted by more organizations and through the emergence of various certification systems and control mechanisms, the practice becomes standardized and legitimized.

The causal process of practice diffusion and institutionalization have been subject to analysis in the literature (Mezias, 1990; Burns & Wholey, 1993; Briscoe & Safford, 2008; Palmer, Jennings, & Zhou, 1993; Tolbert & Zucker, 1996). As a result, those institutionalized ideas, forms and practices pressurize organizations to adopt similar forms and they become similar to each other through three mechanisms of isomorphic change: (1) coercive pressure resulting from power and political influences, (2) normative isomorphism stems from professionalization and, (3) mimetic isomorphism associated with uncertainty (DiMaggio & Powell, 1983).

The first, results from formal and informal pressures. State or other powerful actors, exert a pressure towards adoption of some practices such as ISO standards and corporate governance practices (Scott, 1995; Christmann & Taylor, 2005; Guler, Guillen & Macpherson, 2002; Deephouse & Suchman, 2008). Normative pressures are usually attributed to professions, which promulgate “proper” structures and practices. Professional norms are internalized during education or training. Lastly, institutional pressure may emanate from a mimetic process associated with ambiguity, which encourages imitation (Mizruchi & Fein, 1999). Often peers are imitated if they are regarded as successful (Haveman, 1993). To exemplify, CSR can be used as an area of study where imitation of the competitors to protect reputation, symbolic conformity with unclear goals and action are prevalent (Husted & Allen, 2006; Jackson & Apostolakou, 2010; Jamali, 2010). Another line of argument approached these pressures in terms of spatial directions where regulative pressures emanate from above (state) while mimetic and normative pressures are horizontally positioned (peer organizations) (Boxenbaum & Jonsson, 2008).

Decoupling

However, the analysis of formal structure also indicates that the assumption of routine coordination, implemented rules and procedures, or conformity with the prescription of formal structure are doubtful.

> “formal organizations are often loosely coupled, structural elements are only loosely linked to each other and to activities, rules are often violated, decisions are often unimplemented, or if implemented have uncertain consequences, technologies are of problematic efficiency, and evaluation and inspection systems are subverted or rendered so vague as to provide little coordination" (Meyer & Rowan, 1977, p.343).

Given uncertainty in technology, goals or environment, organizations tend to model themselves on others and imitate culturally institutionalized and widely adopted patterns. “Modeling” may be convenient, may diffuse unwittingly through employee transfer, industrial associations or consulting firms. Thereby organizations with different applications and practices adopt these practices consciously or unconsciously, and organizations that form a specific organizational field become isomorphic over time (DiMaggio & Powell, 1983). In other words, institutionalized products, practices, techniques and policies serve as powerful myths, and many of them adopt ceremonially.

Many positions, policies, programs and procedures in modern organizations are reinforced and legitimized through opinions of important sections of society, education, public opinion and laws. For instance, in Turkey Kalite Derneği (KALDER) and several other actors have spread the idea that organizations should embrace total quality management for the development of our country (Özen, 2002). Many firms in U.S as well as firms in Turkey appreciate the need for CSR initiatives and philanthropic activities (Uğur & Ararat, 2006).

These elements of the formal structure are manifestations of strong institutional rules, and can be codified as “mythlike” forms that are binding for organizations. As discussed above, these rationalized myths are generally accepted and organizations conform to societal expectations in their wider environment to enhance their external legitimacy, to enhance their chances of survival and adopt ceremonially (Tolbert & Zucker, 1983; Meyer & Rowan, 1977; Westphal et al., 1997;). That ceremonial adoption creates conflict and inconsistency in institutionalized elements. Meyer and Rowan (1977) propose partial solutions to overcome these inconsistencies that organizations can resist ceremonial requirements, isolate from external relations, cynically accept the contradictions, and promise reform. It is also noted that organizations may use manipulation instead of conformity with the environment in order to gain legitimacy (Suchman, 1995). Moreover, organizations may not count on partial solutions and buffer internal practices from external inspection (Pfeffer & Salancik, 1978; Thompson, 1967), build gaps between structure and activities and rely on more radical solutions of decoupling, and the logic of confidence. When adaptations to institutional pressures contradict with internal efficiency needs, organizations sometimes claim to adapt when they in reality do not; they decouple the elements of the structure from activities and from each other in order to preserve organizational efficiency (Elsbach & Sutton, 1992; Fiss & Zajac, 2006;Meyer & Rowan, 1977; Bromley & Powell, 2012; Pache & Santos, 2013; Tilcsik, 2010). So conformity to external pressures may also eventuate in decoupling which is advantageous in the sense that formal structures are not affected from the inconsistencies since integration is not actualized and that enable organizations "to maintain standardized, legitimating, formal structures, while their activities vary in response to practical considerations" (Meyer & Rowan, 1977: 358; Brunsson & Olsen, 1993; Bromley, Hwang, & Powell, 2012).

Policy-practice decoupling

Earlier studies mainly focused on a gap between policy and practice where policies are implemented ceremonially. Ideally, one would expect an alignment of policies, practices and outcomes in an 'ideal' organization. In policy-practice decoupling, organizations may adopt multiple policies against external pressures, abide superficially to enhance their legitimacy and policies are disconnected from daily practices. So, organizations buffer their core activities and balance the expectations and interests of constituents. The observation here is that policies are adopted symbolically to appear responsive to the externally generated pressures (George, Chattopadhyay, Sitkin, & Barden, 2006), where evaluation is not present or vague and rules are often not implemented. So, organizations engage in ceremonial window dressing without disrupting daily activities. And there is misalignment between formal policies and practices (March & Olsen, 1976) if they are motivated by legitimacy rather than efficiency or if the capacity is weak to implement and the external inspection is not present. In that case, organization may aspire to show compliance whilst indicating inconsistencies between policies and practices and hiding nonconformity (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012; Elsbach & Sutton, 1992; Westphal & Zajac, 1994).

In variety of contexts scholars found evidence that organizations try to achieve legitimacy through decoupling. For example, Westphal and Zajac in their analysis of adoption of long-term incentive plans found that late adopters are more likely to decouple (Westphal & Zajac, 1994, 1997). Another study suggests that external pressures stem from government and media for social performance are associated with easily decoupled practices in corporate ethics programs (Weaver, Trevino, & Cochran, 1999). Maclean and Behnam (2010) on their analysis of compliance programs proposed that a “legitimacy façade” is created with externally gained legitimacy through decoupling. Empirical evidence pertain to decoupling found that organizations attempt to achieve or maintain legitimacy with decoupling in variety of contexts. Studies conducted in stock repurchase programs, education and business school curricula, quality management and audit reporting have shown that policies are adopted in a ceremonial manner and not aligned with practices (Basu, Dirsmith, & Gupta, 1999; Fiss & Zajac, 2006; Kostova, & Roth, 2002; Westphal, Gulati, &

Shortell, 1997; Zajac & Westphal, 2004). It is also highlighted that isomorphic pressures may cause decoupling of organizational activities. One proposition is that organizations tend to decouple if they perceive coercive pressure to implement (Seidman, 1983; Weber, Davis, & Lounsbury, 2009). In their analysis of corporate environmental citizenship, Özen and Küskü (2009) discussed that organizations in the same national context would experience regulative, normative and cognitive adoption pressures. Further, they discussed that organizational practices vary if they sanctioned by government (environmental regulations). Thus, organizations would adopt practices to gain acceptance from important actors in the field and mimic practices that are taken for granted as successful. Moreover, analysis of the aforementioned pressures in literature shows that most of the studies explore only one type of pressure in a study and mimetic pressure is the most studied one (Mizruchi & Fein, 1999).

Means-ends decoupling

Beyond earlier conceptualization of decoupling as merely symbolic and window dressing, the following argument brought to light by Bromley and Powell (2012). The second type of decoupling, means-ends decoupling, is argued to be more prevalent in contemporary societies and cover the neglected portion of the concept of decoupling. The common understanding of decoupling where policies are disconnected from practices aims to explain the reason for organizations adopting policies but not implementing them. The latter type argues that rules and polices are implemented but there is ambiguity with relations to outcomes and core activities of the organization. Given the nature of heterogeneity in institutional field and processes, this expanded form tries to understand how decoupling occurs where structures are aligned with organizational practices, and policies are subject to implementation and evaluation but loosely tied to organizational outcomes. As mentioned above, external pressures towards standardization, evaluation and transparency may induce the policy-practice type of decoupling to become less prevalent while means-ends decoupling to become more common. So, policy-practice decoupling can be evaluated as symbolic adoption, whereas means-ends decoupling can be thought of as symbolic implementation.

The opacity of the link between policies and outcomes in means-ends decoupling is more likely to be seen in institutional settings where measurement of the effects and outcomes are difficult, the focus is more on the procedure rather than organizational goals, and institutional environment is rationalized and fragmented. The fragmentation in the environment may be caused by (1) stakeholders due to accountability concerns, (2) societal pressure due to visibility (due to size, status), (3) uncoordinated organizations or actors (Bromley & Powell, 2012; Pache & Santos, 2010). It is also suggested that institutional environment is opaque due to the relation between corporate activities and societal outcomes since they are not easy to understand and measure (Sharma, 2000; Wijen, 2014). Further, adopted organizational practices may not be directly related to core goals (e.g., CSR practices), but derive from institutionalized comprehension of the appropriate way to conduct business (Bromley & Powell, 2012). For example, studies of corporate governance (Davis, 2005; Üsdiken & Yıldırım-Öktem, 2008; Westphal & Zajac, 1994), corporate ethics programs (Weaver et al., 1999) and CSR (Basu & Palazzo, 2007; Devinney, 2009) are analyzed as symbolic management. The study of Rowan (2006) in educational settings provides insights for decoupling that even regulations are ingrained in beliefs of the society and there is gap between means and ends.

The very first depiction of decoupling is in fact much broader than what is mostly studied in the literature. Yet, policy-practice gap is used as a synonym for decoupling, which is not the only manifestation as discussed above. The second type involves compliance with formal policies but not achieving organizational goals. Nonetheless, both types of decoupling, symbolic adoption and symbolic implementation, are driven by legitimacy concerns and external pressures (Bromley et al., 2012). Since implementation requires resources and it is not easy to achieve in contemporary complex organizational settings, decoupling provides a safe zone for organizations where risks are minimized and legitimacy is ensured with the appearance of compliance (Jamali, Lund-Thomsen, & Khara, 2015).

Most of the studies focus on why organizations decouple and tested in different contexts. For instance, it is suggested that organizations are more likely to decouple if there is a coercive pressure (Seidman, 1983). Another argument is that it is related to power dynamics in the organizations (Westphal & Zajac, 2001) or conflict of institutional practices (Tilcsik, 2010). But few studies have been conducted to understand the antecedents of organizational practices and tests empirically. For example, Deephouse (1996) studied determinants of organizational legitimacy empirically and used organizational attributes of age, size and performance as the determinants of organizational legitimacy. In another study, cognitive antecedents of highlighting (substantive and symbolic change) and decoupling (symbolic shift) under societal pressure are studied and they found that level of certainty and perceived threat are influential on organizations (Julian et al., 2017). Also, perceived legitimacy of CG practices at nation level and institutional antecedents of CG legitimacy is discussed and applied to Scott’s (1995) pillars (Judge, Douglas, & Kutan, 2008).

Studies pertain to the antecedents of organizational practices generally concerns either internal or external aspects of decoupling and focus on one practice. As discussed above, studies on policy-practice decoupling is more common in the literature and very few studies examined means-ends decoupling empirically. My aim here is to analyze institutional (external) and organizational (internal) predictors of two organizational practices, CSR and CG. The next chapter will explain CSR and CG in institutional context and the objective here is to understand the institutional and organizational underpinnings of CSR and CG activities. Also, the aim is to find out if these predictors are varying among practices and among each other. In doing so, the aim is to distinguish adoption and implementation of these practices.

CSR and CG Practices: Decoupled Adoption and Decoupled Implementation by Turkish Business Organizations

CSR Practice Adoption and Implementation

In recent years, it has been argued that companies should take responsibility to find solutions to societal problems and a body of research has emerged around it (Campbell, 2007; Margolis & Walsh, 2003). The concept of CSR has gained popularity in the local and global business community and even the small companies promote their CSR activities. McWilliams, Siegel, and Wright (2006) argued that a commonly agreed definition of CSR is not achieved. Among the definitions that exist in the literature, there is heterogeneity since organizations are embedded in heterogeneous institutional frameworks that shape their behavior. In earlier writings, CSR was defined as “firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm” (Davis, 1973). Later, Carroll (1979) brought a broader definition including the elements of economic, legal, ethical, and discretionary responsibilities (Carroll, 1979). In that four-part definition of CSR, Carroll argued that to engage in CSR there should be a definition of CSR, understanding of the stakeholders and a philosophy behind. So, the definition was aimed to comprehend all responsibilities of business to society and proposed as “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 1979, p. 500). CSR has been defined or conceptualized by many scholars in different ways and among these definitions the concept is approached by the combination of elements discussed above. Another conceptualization of Wood (1991) approached the four-stage model of Carroll and proposed a framework where principles of CSR framed in different levels. Later, the pyramid of CSR offered with four categories where the base is the economic category and legal, ethical, and philanthropic categories are built upon it (Carroll, 1991). Thus, the concept has evolved over time and it is discussed that beginning with 1990s CSR includes alternative themes and used as a core concept which inspire other related concepts to arise such as stakeholder theory, corporate citizenship, and corporate ethics (Carroll, 1999). This heterogeneity pertaining to CSR definitions continues since it is a cluster concept, embedded in social, political, economic and institutional contexts (Matten & Moon, 2004). Despite the stream of literature, a broadly accepted definition is not present (Matten & Moon, 2008) and it is not easy considering the differences in the national contexts and various stakeholders (Jackson & Apostolakou, 2010). Nonetheless, the aim here is not to bring a universal definition but rather understand the implications of CSR and its institutional and organizational antecedents.

In organization studies, it is discussed that organizations are expected to take actions while securing their legitimacy by responding to a number of institutional pressures, norms, and standards (Bromley & Powell, 2012). Different stakeholders may have different expectations on companies and the granted legitimacy may vary across a number of things. To maintain legitimacy, companies may use different lenses in practicing CSR in a spectrum from avoidance to full implementation. In an opaque institutional environment, the relation between corporate activities and societal outcomes are not easy to understand and measure (Sharma, 2000; Wijen, 2014). In our case, adoption of CSR is not directly related to core goals but derive from institutionalized comprehension of the appropriate way to conduct business. With an institutional theoretical approach, understanding CSR with its societal component would be easier since institutional theory analyzes interaction among various stakeholders (Matten & Moon, 2008).

The regulatory sanction and monitoring of these regulations are considerably important. Corporations are more likely to be socially responsible (or appear as such) if there are regulations enforced by state or other relevant actors (Campbell, 2006). State may not define the level of acceptable CSR or minimum standards. But due to regulations and sanctions companies may decide to use rhetoric instead of taking substantive action. For example, the new Turkish Commercial Code No. 6102 (discussed in detail in the methodology chapter) obliged firms to create websites and provide a section to inform society about CSR activities. If the pressures are not that strong, then companies may act opportunistically and pay lip service in corporate reports and websites for their public image (Campbell, 2007; Hirsch, 1986). It is also discussed that regulation may not be only linked to state but industrial associations can create a corporate peer pressure. So it is proposed that such associations may induce enforcement and monitoring for CSR activities (Campbell, 2006). Galaskiewicz (1991) argued that business organizations are influential in supporting CSR practices normatively. Through a mimetic process, companies may imitate others who perceived as successful. As more companies claimed to engage in CSR practices, companies are more likely to consider the practice as successful and legitimate. As explained above, CSR is a vague concept and this uncertainty in defining what CSR is also leads to this mimetic behavior (Rasche & Gilbert, 2015). Another important stakeholder monitoring the CSR practices is foreign partner who can mobilize and change the level of application. Ararat (2005) suggests that international drivers have an important role in improving the regulations and enforcements while introducing better practices. Ownership structure of the company is shown as an important determinant for CSR (Roberts, 1992). Further, pressures for firms to adopt CSR practices may present sectorial variation (Jackson & Apostolakou, 2010). The nature of the sector in which the company operates affects whether CSR policies translated to implementation (Brammer & Pavelin, 2006; Graafland & Smid, 2016). Lastly, business groups may create an institutional pressure to adopt and implement CSR practices. Business groups are defined as “an economic coordination mechanism in which legally independent companies, bound together with formal and informal ties, utilize collaborative arrangements to enhance their collective economic welfare” (Colpan & Hikino, 2010. p.17). So, companies within the business group may engage in similar activities and apply CSR practices. It is also argued that companies within the same business group may use CSR to hide their opportunistic behavior (Ararat, Colpan, & Matten, 2018). Hence, it is discussed that the increasing demand for CSR pressurizes organizations to act hypocritically (Christensen, Morsing, & Thyssen, 2013). And instead of implementing CSR practices (CSR expenditure) companies may decouple and adopt policies where they mostly rely on CSR expression (Jamali & Karam, 2018).

In addition to institutional factors, organizational elements are shown to be affective for adoption and implementation of organizational practices. Several studies exhibit company size as a determinant of CSR since larger companies are more publicly visible and get more attention from various actors (Chan et al., 2014; Delmas & Burbano, 2011; Roberts, 1992; Waddock & Graves, 1997). Studies on CSR disclosure (provided information regarding CSR in the annual reports) show that economic performance and profitability of the company can be understood as potentially affecting the CSR (Chan et al., 2014; Roberts, 1992). Much of the discussion in the literature also suggest that companies with weak financial performance have fewer resources for CSR and therefore are less likely to implement CSR activities (Margolis & Walsh 2001; Orlitzky et al., 2003). Lastly, the proposition is that mature companies will be more likely to adopt CSR, since they are more likely to be known by the stakeholders and expected to have resources for CSR activities compared to new ones (Luo, Wang, & Zhang, 2017; Marquis & Qian, 2014).

Building on literature, it is safe to assume that companies CSR initiatives may not be systematic; rather they try to meet the expectations of various stakeholders and portray themselves as socially responsible. In seeking legitimacy, they may adopt policies ceremonially, which requires less resources and energy. Companies tend to engage in CSR activities for normative and mimetic pressures in their context. Regarding decoupling in CSR activities (symbolic adoption and symbolic implementation), the proposition is that adoption and implementation requires different sets of change and resources in different levels. In order to appear responsive to expectations for adoption and implementation of the CSR practices, there might be different sets of institutional and organizational determinants.

CG Practice Adoption and Implementation

Governance mechanisms have recently captured attention due to high profile corporate scandals (Aguilera et al., 2015). An extensive research of the evolution of CG vocabularies analyzes New York Times between 1851 and 2002 and found that the concept of corporate governance was first used in 1972 in a stakeholder lawsuit (Ocasio & Joseph, 2005). After, they describe the institutional investors and their influence on the governance mechanisms. By 2002, with the ENRON scandal the disclosure standards and governance mechanisms required a reform and New York Stock Exchange announced new standards and recommendations for the listed companies (Ocasio & Joseph, 2005). After that, CG become an institutional theme since governance mechanisms seen as the appropriate way of conducting business and gains a transnational standard. For example, the new Turkish Commercial Code No. 6102 (discussed in detail in the methodology chapter) obliged firms to create websites and provide a section to inform society about CG activities. Of course one of the reasons for the diffusion of the standards arise from the fact that the country of origin for the concept serve as a reference (Üsdiken, 2010). As noted, the "recent wave of such international expansion has involved models of good corporate governance" through an agency perspective with a focus on board composition and independent outside actors (Üsdiken, 2010).

CG concerns understanding structures, processes, and institutions and allocation of power and resources (Davis, 2005). The academic literature has broadened and CG mechanism includes financial market, legal systems, board of directors and various stakeholders. Since the concept is socially constructed and contextually dependent, several definitions are proposed with various dimensions. Blair (1995) defines CG as "the whole set of legal, cultural, and institutional arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised, and how the risks and returns from the activities they undertake are allocated" (p.3). From another perspective, managerial orientation emphasized formal and informal structures and roles in the corporate context (Hambrick, Werder, & Zajac, 2008). Davis (2005) provides a critique of CG from a sociology, laws and economics perspective. More broadly, the stakeholder perspective, describes CG with an emphasis on rights and responsibilities of all parties who have a stake in the firm (Aoki, 2001). My intent is not to provide a list of theoretical perspectives in the literature but to provide an understanding of the importance and extent of the concept given in different contexts. The reason for this attention towards CG might be due to the assumption that better governed firms are more likely to perform better (Aguilera et al., 2015).

There is ample research with different theoretical lenses including agency theory, institutional theory, and resource dependence theory. Earlier studies focused on the internal mechanisms, agency theory, and link efficiency with the performance emphasizing the self-interest orientation of the corporate insiders (Jensen & Meckling, 1976). Institutional theorists describe the isomorphic process with a coercive, mimetic and normative process. As described in the first chapter, when organizations face a strong pressure to implement a new practice they may decouple.

For example, Westphal and Zajac (1994) found that when CEOs exercise power over the board, they adopt the incentive plans without implementation. In another study, authors found that shareholder reaction for adoption was positive regardless of implementation. Companies may use symbolic explanations, favorable interpretations, or verbal explanations (Elsbach & Sutton, 1992; Westphal & Zajac, 1998; Zajac & Westphal, 1995). Many studies on governance studies concern CEO power, compensation policies, board dynamics (Davis, 2005; Westphal & Zajac, 1994, 1998; Westphal et al., 2012). However, studying these practices is not necessary in Turkish context since a single actor (CEO) does not direct firm responses (Crilly & Zollo, 2012) and the governance structure is different than US where family business groups are the dominant economic actor of Turkey (Ararat, Black, &Yurtoğlu, 2016; Buğra 1994; Colpan & Hikino, 2010).

After OECD's codes of governance and "Principles of Corporate Governance" drew global attention and became a benchmark for various stakeholders across globe as a guidance and assistance for good practices and implementation of CG (Selekler-Gokşen & Yıldırım-Öktem, 2009). CG become a concern for Turkey after the banking crisis of 2000 and OECD's guidelines are required to be included in the annual reports (Ararat et al., 2017). This coercive pressure towards compliance with principles affect CG practices' adoption and implementation patterns. Coercion also stems from the rating organizations. As depicted by Aguilera and colleagues, internal governance structure alone is not enough to comprehend the CG practices and external governance mechanisms should be taken into consideration. It is suggested that rating agencies play a crucial role in governance structures and provide legitimacy (Aguilera et al., 2015; Coffee, 2006). Several studies indicated that the degree of decoupling would be different and depends on monitoring and implementation of stakeholders (Meyer & Rowan, 1977; Westphal & Zajac, 2013). So, the level of pressure over the company regarding reporting and rating would differ as well as the adoption and implementation of the governance practices.

To analyze the antecedents of CG adoption and implementation, there should be a distinction between institutional and organizational predictors. Governance choices might be dissimilar among companies with different firm-level characteristics. But these characteristics may not be strong predictors of adoption due to the legal enforcements (Ararat, Black, & Yurtoğlu, 2017). For institutional determinants, business group might be an important one since they are usually owned and controlled by one family and seek for legitimacy (Selekler-Gökşen & Yıldırım-Öktem, 2009). Regarding CG implementation, similar propositions with CSR are applicable since implementation requires resources and internal organizational change. So firms who are better performers are more likely to implement CG practices. Societal expectation will be higher for larger companies since they are more visible. Hence they are more likely to implement CG practices.

CSR and CG Adoption and Implementation by Turkish Business Firms

External pressures and legitimacy concerns lead firms to engage in decoupled practices as explained in the previous sections. The aim with this dissertation is to examine decoupled adoption in Turkish business firms. Decoupled implementation is out of the scope because there is not enough argument in the literature pertaining to antecedents of the decoupled implementation. Decoupling may occur in implementation of the practices in the sense that organizations implement policies and practices that do not have a clear link to core organizational goals (Bromley & Powell, 2012). Structures are altered but it is not easy to measure the outcome of the practice. So, organizations may not divert resources to implementation of the practices, which is difficult to assess where the environment is fragmented and contain conflicting pressures. When firms face external pressures to implement CSR and CG practices, there might be a gap between means and ends and thus they might decouple and engage in symbolic implementation since there are institutionalized understanding of appropriate organizational behavior.

The analysis of CSR and CG practices reveal that the diffusion of the practices is more prevalent over time. CSR and CG practices are adopted by many firms, become institutionalized and spread further among Turkish business firms. For example, among Turkish firms that are listed on Borsa İstanbul, number of firms that adopt CG practices increased from 217 to 372 between 2010 and 2017. Put it differently, in 2017 out of 393 firms, 372 of them adopted CG practices whereas in 2010 out of 295 firms only 217 were adopting CG practices. Similarly, CSR practices diffused among Turkish listed firms and they are more and more willing to share their CSR practices with the public. Analysis of the annual reports has shown that number of references to social responsibility has increased over time. In 2010, firms mentioned social responsibility 1886 times (295 firm). The adoption of the practice, reference to CSR in the annual reports, has intensified in time and by 2017 there were 4490 references to social responsibility in all listed firms' annual reports (393 firm).

Based on literature, possible antecedents of adoption and implementation are summarized below with Table 1.

Table 1 Possible Antecedents of Adoption and Implementation

Possible Antecedents of Adoption and Implementation	
Organizational Antecedents	**Institutional Antecedents**
Size	Membership to NGOs
Performance	Industry
Financial Power	Business Group
Age	Foreign Partnership

I aim to explore which of the aforementioned antecedents are predictors of the adoption and implementation. So, this dissertation entails an exploratory research. Testing hypotheses with regards to aforementioned variables requires making use of very different conceptual frameworks. For instance, when organizational characteristics are proposed predictors, frameworks that emphasize organizational resources and capabilities need to be referred to. On the other hand, as to the organizational field, more institutionalist arguments are needed. For hypothesis testing, it is necessary to decrease the number of variables and focus the theoretical framework accordingly. At this stage, instead hypothesis testing, I aim to present a rich model and make an exploratory research, and maybe return to hypothesis testing in the future. This thesis aims to contribute with a comprehensive predictor model where the analysis contains two groups of variables, institutional and organizational (Table 1). I will explore two different and widespread practices, which have corporate support. I aim to create a model that allows practices to have differentiating predictors. Institutional literature does not examine the antecedents of two practices in a comprehensive manner. So, this thesis aims to present findings that enable developing theoretical framework for hypothesis testing.

Methodology

Sample and Data

The sample consists of all Turkish companies that were listed on Borsa İstanbul at the end of 2017 and comprises 393 companies. I selected these companies because (1) listed companies are more visible and therefore engage in practices such as CG or CSR to please their stakeholders, (2) CG regulations primarily address listed companies, (3) financial reports, annual reports and related information regarding listed companies are publicly available. Observation window covers the years between 2010 and 2017. Initially, I intended collecting data for the years between 2007 and 2017 because the index I use in analyses (Corporate Governance Index, XKURY) was initiated in 2007. However, due to lack of numerous reports (184 were missing out of 296 observations), the observation year of 2007 was excluded from the analysis since the annual reports were used as the main source of data. The problem was valid for 2008, 2009 and 2010 until the new Turkish Commercial Code No. 6102 in 2011. The new commercial code concerns CG as the dominant concept and under this new law firms are obliged to create a website and provide "information society services" as a separate section where firms upload documents, reports and announcements to fulfill the principles of CG. For this reason, I observed my dependent variables on the years 2011, 2014 and 2017, and the predictors on the years 2010, 2013 and 2016. Predictors are lagged one year to better establish causal linkages (Rogosa, 1980). I manually collected and coded data that pertain to CG and CSR adoption and implementation. The description of how I generated the dependent variables as well as the predictor variables that are used in this study are provided in detail in the relevant sections below. Data regarding predictors were mostly obtained from publicly available sources such as Public Disclosure Platform (PDP), Central Securities Depository (CSD) and the websites of companies. I coded data from companies' annual reports, financial statements, balance sheets, income statements, and notes to financial statements (*finansal tablo dipnot açıklamaları*) that were available in these sources. A detailed description of each variable and how it was measured is provided below.

Lastly, the companies in the dataset have been grouped under sectors and business groups. According to PDP, the listed companies have been grouped under 13 main sectors. The distribution of companies by sectors is given in the Table 2.

Table 2. Distributions of BIST Companies across Sectors

Sectors	**Number of Companies in Each Sector**
Agriculture, Forestry and Fishing	3
Mining	4
Manufacturing Industry	179
Electricity Gas and Water	7
Construction and Public Works	9
Wholesale and Retail Trade, Hotels and Restaurants	30
Transportation, Telecommunication and Storage	9
Financial Institutions	127
Education, Health, Sports and Other Social Services	5
Technology	15
Administrative and Support Service Activities	3
Real Estate Activities	2

For business groups, I coded the companies of the same group together and assigned a new ID for each group. In other words, there are 393 companies in the data set and some of the companies are members of the same business group, and therefore 257 groups are represented in the sample with at least one company.

In order to capture institutional pressures emanating from prior adoptions or implementations I generated three sets of variables. These variables measure the number of prior adopters or implementers in the business group or industry to which the company belongs or in the entire sample. Those pertaining to adopters are used to predict adoption and those about implementers are used to predict implementation.

Variables

Dependent variables

Testing the hypothesis required two sets of dependent variables: a set to capture adoption and another set to capture implementation of CG and CSR practices. Regarding CG practice adoption, I coded whether the company published a CG Principles Compliance Report in the years 2011, 2014 and 2017. In 2004, The Organisation for Economic Co-operation and Development **(**OECD) published the "OECD Principles of Corporate Governance" to be used as a benchmark for various stakeholders across globe as a guidance and assistance for good practices and implementation of CG. After that, Capital Markets Board (CMB) announced a notification "*II-17.1 Communiqué on Corporate Governance*" (*Kurumsal Yönetim Tebliği,* II-17.1) and made the CG Principles Compliance Report mandatory for listed companies. The report is expected to be included as a separate section in the annual reports as well as the company websites. The principles that are issued by CMB have similar aims with OECD in terms of guidance for regulations and ensuring a supervision periodically, and in light of the principles and regulations, companies are expected to embrace the principles of transparency, accountability, equity and responsibility. The report consists of four sections that are shareholders, disclosure and transparency, stakeholders and board of directors (CMB Report, 2005). The report starts with a statement where the information on whether or not the principles are applied in the relevant period is given. Then companies are expected to disclose reasons and information for not implementing the principles as well. The format of the report is set by CMB and a detailed description of sections regarding shareholders, public disclosure and transparency, stakeholders and board of directors is given below with Table 3.

Table 3 CG Principles Compliance Report

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT
SECTION 1- SHAREHOLDERS
Shareholders Relations Department
The Use of Shareholders Rights to Obtain Information
Information on Shareholders' Meeting
Voting Rights and Minority Rights
Dividend Policy and Deadline for Dividend Distribution
Transfer of Shares
SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY
Company Information Disclosure Policy
Disclosure of Material Events
The Company's Website and Its Contents
Disclosure of the Company's Ultimate Controlling Individual Shareholder / Shareholders (Beneficial Ownership)
Disclosure On Insiders
SECTION III- STAKEHOLDERS
Informing Stakeholders
Participation of the Stakeholders in the Management
Human Resources Policy
Information on Relations with the Clients and Suppliers
Social Responsibility
SECTION IV-BOARD OF DIRECTORS
The Structure and Composition of Board of Directors and Independent Members
Qualifications of Board Members
The Mission, Vision and Strategic Goals of the Company
Internal Control and Risk Management Mechanism
Authority and Responsibilities of the Members of the Board Directors and Executives
Principles of Activity of the Board of Directors
Prohibition of Carrying Out Transactions with the Company and Prohibition of Competing with the Company
Ethical Rules
Number, Structure and Independency of Committees Established by the Board Of Directors
Remuneration of the Board of Directors

I examined annual reports and generated a dummy variable which was coded as "1" if the company published a compliance report and zero if otherwise. Although it was compulsory, some companies did not publish a CG compliance report section in their annual reports. According to Capital Market Law Nr.6362, which is to regulate and ensure the functioning of the capital markets, Article 103 specifies the general principles and imposition of an administrative fine in case of the violation of the regulations (Official Gazette, Number: 28513, Date: 6/12/2012). So some firms are disregarding the notification (II-17.1) and paying the administrative fine. Number of missing reports are shown below with Table 4.

Table 4 Number of Reports in Each Observation Year

Years	Number of companies in the sample	Number of annual reports examined	Number of missing annual reports	Number of missing CG compliance reports
2010	294	217	41	17
2013	370	329	17	18
2016	393	372	1	19

The second dependent variable regarding CG is about the implementation of the governance principles. I operationalize this variable as whether companies obtained CG Rating, awarded by the rating agencies licensed by the Capital Markets Board and listed under XKURY. I generated a dummy variable which was coded as "1" if the company obtained CG rating and zero if otherwise. The rating agencies that are designated by CMB are listed as JCR Eurasia Rating, Saha Rating and Turkrating on the PDP website. XKURY Index aims to measure the price and return performance of companies traded on Borsa Istanbul Markets (except companies in Watchlist Companies Market and Lists C and D) with CG rating of minimum 7 over 10 as a whole and a minimum of 6.5 for each main section. The CG rating is assigned by rating agencies based on an assessment of company's compliance with CG principles. Ratings are assigned upon the request of the rated company and renewed annually. Companies that obtain the minimum required ratings are included in the index a business day after the rating is published on the PDP. When XKURY Index was first publicized in 2007, only 5 companies were included in the index. Over time the XKURY index has grown and number of listed companies increased to 47 by 2017.

Table 5 Number of Companies in the XKURY Index

Years	Number of Companies in the XKURY Index
2010	23
2013	35
2016	47

The compliance report is a statement of whether or not the company implemented its CG principles (CMB, II-17.1). For matters that are not implemented, a statement of relevant justifications is expected (CMB, II-17.1). The compliance score is the outcome of a costly process in which the implementation is closely monitored by the licensed rating agencies in the light of principles indicated in the methodology for rating the compliance with CMB's principles. Companies that request a rating are expected to submit information about main activities of the company, administrative and organizational structures, the structure of the board, and statistical information related to the personnel. In addition to the documents and reports to be presented on these issues, companies are also required to submit independent audit reports, annual reports, and information related to shareholders, executives and stakeholders who are defined as the key elements for practicing good governance[1].These documents are expected to cover the last three years and companies are subject to systematic assessment in accordance with the CMB principles. The rating methodology, which covers more than 300 sub-criteria, evaluates on the basis of information provided by the company officials. After receiving the score, companies are monitored by a licensed expert for 12 months which considered as surveillance period (see JCR-ER Rating Methodology) and developments that may occur in the process pertaining to CG are also reflected in the score. Price of rating services is determined in accordance with the sales and asset size of the companies.

Regarding CSR adoption, the dependent variable is a count variable which measures the number of times "bağış" and "sosyal sorumluluk" (donation and social responsibility, respectively) are cited in the annual reports. After examining the annual reports, I decided to use those words as keywords, counted and calculated a sum for each company rather than analyzing the heterogeneity for various CSR practices. And the last dependent variable captures implementation by measuring company spending on CSR, which is the sum of donation expenses. I collected information regarding these expenses mostly from annual reports. When no pertinent information was available in these reports (mostly for the year 2010) I consulted Profit or Loss and Other Comprehensive Income Statement (*Kar veya Zarar ve Diğer Kapsamlı Gelir Tablosu*) or Notes to Financial Statements (*Finansal Tablo Dipnot Açıklamaları*). Table 6 summarizes the operational definitions for the variables. Since adoption is not costly, CSR and CG practices can be adopted easily but implementation for both practices is costly.

[1] For detailed information, see JCR Eurasia rating methodology.
http://www.jcrer.com.tr/Pages.aspx?Page=corporate-governance-compliance-rating

Operational definitions of CSR and CG adoption and implementation are summarized in Table 6.

Table 6 Operational Definitions of the Variables

Dependent Variable	**Operational Definition**
CSR Adoption	Number of times donation and social responsibility cited in the annual reports
CSR Implementation	Donation and social responsibility expenses
CG Adoption	CG principles compliance report in the annual reports
CG Implementation	Obtaining CG rating

Predictor Variables

I use two sets of predictor variables (namely, organizational and institutional predictors) to explain adoption and implementation of CG and CSR.

Organizational Predictors

I use age, size, performance, and financial power as organizational predictors. Age is calculated as the difference between the observation year and founding year for each company and log transformed. Size is measured using three indicators, namely number of sales, number of employees, and market value. I coded sales from financial statements and they were all rescaled (sales /1.000.000) and inflation adjusted using Consumer Price Index data from The Central Bank of the Republic of Turkey. Data regarding number of employees were gathered from annual reports. A total of 18 observations were missing on this variable. Missing value imputation was done through interpolation or extrapolation. When observations for preceding and following years were available, I used interpolation by estimating and imputing the mean for these years. In order to extrapolate missing employee numbers, I use the sales variable and multiplied the last available employee number by sales growth to arrive at estimated values of the employee variable. In order to calculate market value, I multiplied number of shares with the share price as of the last day of the year. I considered debt ratio as a measure of financial strength, which is total debt divided by total assets and they were all rescaled (/1.000.000) and inflation adjusted using Consumer Price Index data from The Central Bank of the Republic of Turkey. Additionally, I measured profitability by using net profit which is reported in the financial statements and apply same scaling and inflation adjustments.

Institutional Predictors

Two of the institutional predictors capture membership to TÜSİAD or MÜSİAD. TÜSİAD and MÜSİAD membership data were incorporated since they are the largest business associations with an impact on companies CSR and CG practices in Turkey (Buğra, 1998). These variables measure whether any adoption or implementation pressures emanated from membership to these organizations. Information regarding TÜSİAD membership was coded from annual reports of this organization ("*TÜSİAD Çalışma Raporu*") that is available at the organizations' webpage. Because members of TÜSİAD are individuals, a company with a TÜSİAD-member shareholder or manager was considered as TÜSİAD member. Data concerning membership to MÜSİAD are not publicly available and were provided upon personal request to the organization. MÜSİAD membership variable was generated the way TÜSİAD membership variable was generated.

Companies that have foreign partners are considered to be more likely to engage in CSR and CG practices because of the learning effect (Matten & Moon, 2008). Thus, I tested for foreign partnership using a dummy variable. Those firms, which have majority foreign shares were coded as 1 and 0 if otherwise. Information regarding foreign partnership was manually collected and coded from PDP website, capital, and shareholder structure section.

Lastly, the companies in the dataset have been grouped under sectors and business groups as explained in the first section. In order to capture institutional pressures emanating from prior adoptions or implementations I generated three sets of variables. These variables measure the number of prior adopters or implementers in the business group or industry to which the company belongs or in the entire sample. Those pertaining to adopters are used to predict adoption and those about implementers are used to predict implementation. I generated these variables for CG and CSR separately.

Analysis and Estimation

Analysis methods were determined according to the structure of the data and type of dependent variables. Each company is observed three times in 2011, 2014 and 2017 (if the company is listed at the stock exchange at the beginning of the observation period) generating a longitudinal data set. Therefore, the grouping of the observations at the company level is taken into consideration and random effects regression models are used to control for unobserved effects at the company level. Dependent variables that pertain to CG are dummy variables that take the value of zero or one. Since the analysis method suitable for these analyses is logistic regression, random effects logistic regression model is used for predicting CG practices in the data set.

Regarding other set of dependent variables, CSR is adoption is a count variable whereas CSR implementation is a continuous one. For the former, I use random effects negative binomial regression whereas for the latter I use random effects linear regression. All analyzes were performed using software named Stata 14 (StataCorp, 2014).

Results

Table 7 presents descriptive statistics for all variables included in analyses. Table 8 presents bivariate correlations. Descriptiveness and correlations are estimated using pooled data.

Table 7 Descriptive Statistics

Variable number	Variable	Observation	Mean	Std. Dev.	Min	Max
1	Age	1057	3.30	.68	0	4.532599
2	Number of employees	1057	5.55	2.37	0	11.485
3	Sales	1057	1124.3	4232.96	-42.63	54405.29
4	Market value	1057	280433.6	5176386	.64	
5	Net profit	1057	112.56	440.54	-471.36	3609.77
6	Debt ratio	1057	.52	.41	.00076	5.53
7	TÜSİAD membership	1057	.44	.49	0	1
8	MÜSİAD membership	1057	.09	.29	0	1
9	Foreign partnership	1057	.07	.26	0	1
10	Adopters within the sector (CSR)	1057	1161.21	672.31	2	1889
11	Adopters within business group (CSR)	1057	47.79	76.64	0	295
12	Adopters among all listed companies (CSR)	1057	3537.47	1062.37	1886	4490
13	Implementers within the sector (CSR)	1057	88.81	54.94	0	155.39

14	Implementers within business group (CSR)	1057	4.80	13.29	0	85.96
15	Implementers among all listed companies (CSR)	1057	274.40	64.61	175.69	335.75
16	Adopters within the sector (CG)	1057	99.95	53.28	1	165
17	Adopters within business group (CG)	1057	3.60	4.23	0	16
18	Adopters among all listed companies (CG)	1057	313.83	62.85	217	372
19	Implementers within the sector (CG)	1057	11.83	6.52	0	20
20	Implementers within business group (CG)	999	.58	1.48	0	7
21	Implementers among all listed companies (CG)	1057	35.75	9.19	23	46

Table 8 Correlations

Variable number	Variable name	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1	Age	1																				
2	Number of employees	0.506	1																			
3	Sales	0.101	0.338	1																		
4	Market value	0.093	0.103	-0.014	1																	
5	Net profit	0.205	0.401	0.487	-0.013	1																
6	Debt ratio	0.128	0.317	0.103	0.046	0.102	1															
7	TÜSİAD membership	0.197	0.160	0.166	0.060	0.166	0.023	1														
8	MÜSİAD membership	-0.047	0.162	0.068	-0.017	0.052	0.058	-0.098	1													
9	Foreign partnership	0.142	0.139	-0.005	-0.015	0.001	0.013	-0.113	-0.001	1												
10	Adopters within the sector (CSR)	0.218	-0.004	-0.019	0.002	0.023	-0.044	0.046	-0.004	0.038	1											
11	Adopters within business group (CSR)	0.241	0.293	0.326	0.124	0.290	0.036	0.478	-0.123	-0.132	0.162	1										
12	Adopters among all listed companies (CSR)	0.037	-0.039	-0.007	-0.024	-0.031	0.054	-0.074	0.014	-0.012	0.497	0.087	1									
13	Implementers within the sector (CSR)	0.321	0.094	-0.028	-0.022	-0.019	-0.030	0.011	0.007	0.073	0.928	0.131	0.422	1								
14	Implementers within business group (CSR)	0.184	0.283	0.350	0.000	0.350	0.045	0.327	-0.055	-0.064	0.078	0.710	0.052	0.080	1							
15	Implementers among all listed companies (CSR)	0.041	-0.039	-0.007	-0.024	-0.031	0.055	-0.073	0.014	-0.011	0.495	0.086	0.998	0.424	0.053	1						
16	Adopters within the sector (CG)	0.287	0.048	-0.033	-0.008	-0.007	-0.050	0.043	-0.012	0.063	0.965	0.143	0.349	0.952	0.075	0.350	1					
17	Adopters within business group (CG)	0.219	0.228	0.279	0.162	0.265	-0.006	0.511	-0.140	-0.150	0.105	0.920	-0.047	0.067	0.549	-0.047	0.100	1				
18	Adopters among all listed companies (CG)	0.039	-0.039	-0.007	-0.024	-0.031	0.054	-0.074	0.014	-0.011	0.496	0.087	0.999	0.423	0.052	0.999	0.350	-0.047	1			
19	Implementers within the sector (CG)	0.231	-0.001	-0.020	-0.003	0.031	-0.055	0.056	-0.005	0.045	0.952	0.154	0.380	0.934	0.072	0.388	0.935	0.115	0.385	1		
20	Implementers within business group (CG)	0.181	0.252	0.366	0.051	0.260	0.029	0.358	-0.103	-0.088	0.083	0.742	0.036	0.076	0.740	0.038	0.077	0.610	0.037	0.089	1	
21	Implementers among all listed companies (CG)	0.054	-0.037	-0.008	-0.022	-0.029	0.055	-0.070	0.011	-0.010	0.477	0.081	0.964	0.422	0.055	0.977	0.342	-0.047	0.971	0.406	0.043	1

Table 9 shows the results obtained from the calculations of the adoption and implementation of CG practices for all Turkish companies that are listed in Borsa İstanbul for 2011, 2014 and 2017. Model 1 includes the organizational variables, which are size, age and profitability of the company. Results from Model 1 in Table 9 reveal that none of the organizational predictors relate to CG adoption.

Model 2 incorporates both organizational and institutional variables related to CG adoption. Findings from Model 2 reveal that prior adoptions by members of the same business group related positively to CG adoption (β= 1.577, $p<.001$). Similarly, Model 2 shows that prior adoptions by all listed companies relate positively to CG (β= 0.149, $p<.05$). Organizational predictors and other institutional predictors are not statistically significant.

Model 3 in Table 9 presents findings regarding organizational predictors for CG implementation. Results reveal that company age relates positively to CG implementation (β= 4.285, $p<.05$) which means older companies are better at implementation compare to younger ones. In terms of size, number of employees (β= 1.288, $p<.001$) and sales volume (β=.000, $p<.05$) relate positively to implementation.

Lastly, Model 4 presents all variables related to CG implementation. Results from Model 4 presented in Table 9 reveal that number of employees relates positively CG implementation (β= 1.079, $p< .01$) which means companies with more staff are more likely to be listed in XKURY index. Findings reveal that the last organizational level variable that is negatively related to CG implementation is sales (β=-.0002691, $p<.05$) which indicates companies with larger sales volume are less likely to receive CG rating. When all predictor variables are included in the model, age variable fails to show statistical significance. Model 4 shows that prior implementations by business group related positively to CG implementation (β= 2.989, $p<.001$). This finding shows that companies that are members of business groups with greater number of implementers are more likely to implement CG.

Table 9 Corporate Governance Adoption& Implementation: Regression Analysis Results

Variables	CG Adoption		CG Implementation	
	M1	**M2**	**M3**	**M4**
Age	.807 (.502)	.265 (.629)	4.285* (1.746)	.020 (1.129)
Number of employees	.033 (.201)	.402 (.261)	1.288*** (.397)	1.079** (.348)
Sales	.000 (.000)	-.000 (.000)	.000* (.000)	-.000* (.000)
Market value	.001 (.001)	.000 .000	.000 (.000)	.000 (.000)
Net profit	-.003 (.004)	-.003 (.005)	-.000 (.001)	.000 (.000)
Debt ratio	.401 (.880)	.532 (1.010)		-1.738 (2.334)
TÜSİAD membership		.765 (1.074)		1.314 (1.378)
MÜSİAD membership		1.151 (1.666)		.829 (1.378)
Foreign partnership		3.045 (2.380)		1.156 (1.910)
Adopters within the sector		-.012 (.009)		
Adopters within business group		1.577*** (.443)		
Adopters among all listed companies		.014* (.006)		
Implementers within the sector				-.007 (.082)
Implementers within business group				2.989*** (.416)
Implementers among all listed companies				.107 (.557)
Number of observations	998	981	1057	1057
Wald chi2	7.99	25.06*	30.25***	135.11***
Degrees of freedom	6	12	6	12

*p<.05, **p<.01, ***p<.001

Note: Numbers in parentheses are standard errors.

Table 10 shows the results obtained from regression analyses regarding adoption and implementation of CSR practices for all Turkish companies that are listed in Borsa İstanbul for 2010, 2013 and 2016.

Results from Model 5 and Model 6 presented in Table 10 reveal findings that pertain to CSR adoption. Model 5 tests for organizational level predictors and reveal that company age (β=.337, p<.001), number of employees (β=.085, p<.001) and sales (β= .000, p<.05) are positively related to CSR adoption. Findings show that older and larger companies are more likely to have more references to CSR in the annual reports than others. Model 6 incorporates both organizational and institutional variables related to CSR adoption and indicates that number of employees is still a strong indicator for CSR adoption (β=.096, p<.001). Other organizational level variables of market value and debt ratio present relations with adoption practices as well. Findings reveal that market value is positively related to adoption (β= 8.15, p<.05) meaning that companies with higher market value are more likely to have more references to CSR in the reports. Debt ratio has a negative relationship with adoption (β= -.181, p<.05).

Regarding institutional variables, TÜSİAD membership relates positively to CSR adoption (β=. 219, p<.01). This finding shows that on average TÜSİAD members talk more about CSR compared to non-members. As shown with previous findings, adoption by business group (β= .002, p< .001) and adoption by all listed companies (β=.000, p<.001) are positively related to CSR adoption.

Model 7 and Model 8 present results for CSR implementation. Starting with organizational level variables, Model 7 reveals that company size measured as number of employees relate positively to social responsibility expenditures (β=417.883, $p<.001$). Also, analysis reveals that net profit is positively related to implementation (β=2.345, $p<.001$). Model 8 includes institutional level predictors and findings show consistent results with Model 7 that number of employees and net profit are positively related to CSR expenditures of the companies. Hence, more profitable companies with larger size spent more for social responsibility. MÜSİAD membership relates positively to CSR implementation (β=2471.935, $p<.001$). Lastly, implementation by other members of the business group (β= 77.606, $p<.001$) has a strong relationship with CSR implementation.

Table 10: CSR Adoption& Implementation: Regression Analysis Results

Variables	CSR Adoption		CSR Implementation	
	M5	M6	M7	M8
Age	.337***	.111	-502.949	-397.197
	(.064)	(.059)	(288.530)	(299.425)
Number of employees	.085***	.096***	417.883***	279.375**
	(.019)	(.018)	(88.526)	(88.031)
Sales	.000*	2.81	.070	.025
	(6.73)	(6.89)	(.040)	(.038)
Market Value	3.33	0	-.000	-.000
	(3.97)	0	(.000)	.000
Net Profit	.000	.000	2.345***	1.840***
	(.000)	(.000)	(.419)	(.408)
Debt Ratio	(.047)	-.181*	-493.488	-495.601
	(.080)	(.083)	(390.546)	(375.490)
TÜSİAD Membership		.219**		-163.340
		(.076)		(338.406)
MÜSİAD Membership		.049		2471.935***
		(.117)		(573.223)
Foreign Partnership		.037		686.345
		(.123)		(612.303)
Adopters within the Sector		.000		
		(.000)		
Adopters within Business Group		.002***		
		(.000)		
Adopter among all Listed Companies		.000***		
		(.000)		
Implementers within the Sector				-2.779
				(3.266)
Implementers within Business Group				77.606***
				(12.126)
Implementers among All Listed Companies				.813
				(2.482)
Number of Observations	1031	1027	765	762
Wald chi2	144.86***	501.35***	103.59***	156.96***
Degrees of Freedom	6	12	6	12

*p<.05, **p<.01, ***p<.001

Note: Numbers in parentheses are standard errors

Discussion

The extant literature in institutional theory has considered decoupling as a gap between policy and practice as mentioned above, and much attention has been devoted to explain the symbolic adoption. Several researchers investigate the reasons, scope and outcomes of deviation in policies and practices (Boxenbaum & Jonsson, 2008; Bromley & Powell, 2012). Institutional forces are regarded as important and it is suggested that an organizational practice becomes legitimized and diffuse as organizations adopt these institutionalized practices. So, there is a focus on how specific management practices diffuse in organizational field and how organizations adopt these practices. But also, the literature argues that organizations decouple and engage in symbolic adoption of the practices. Due to the organizational and institutional pressures, there might be a tendency for organizations to decouple or, in other words, there might be differences in adoption of the practices. On the other hand, underpinnings of decoupling have not been studied much. The extant literature in adoption and decoupling mainly focuses on a single practice. Thus, in this thesis I aimed to explore the institutional and organizational antecedents of decoupling in two practices since the variations may stem from internal (organizational) or external (institutional) characteristics of the organizations. It is argued that organizations may adopt new practices where the relation between policies and their intended outcome is opaque. In other words, they may adopt ends that are disconnected from core organizational activities such as corporate social responsibility (CSR) (Basu & Palazzo, 2007; Devinney, 2009) and corporate governance (CG) (Aguilera, Desender, Bednar & Lee, 2015; Davis, 2005) practices.

There has been two conceptualization of decoupling and I focused on policy-practice decoupling. This thesis aims to contribute to this strand of literature by examining the antecedents of adoption and implementation in CG and CSR practices. As discussed in previous chapters, I assumed that the antecedents of practices would vary among each other and among adoption and implementation. To test this, I analyzed data about Turkish listed companies with two sets of variables, institutional and organizational predictors.

I collected data on Turkish listed companies and I did an exploratory research and regression analysis. I have obtained some interesting findings. The adoption and implementation of both CG and CSR have both organizational and institutional antecedents. However, these antecedents differ between CG and CSR, as well as between adoption and implementation.

Findings showed that there is a variation between CG and CSR in adoption. The first one has a compulsory component that is mandatory by the law. Although the first one has been compulsory, it is easy to fulfill its' requirements. Thus, the data showed that most of the companies in the sample adopted the CG compliance report in their annual reports. Results from the analysis suggest that the correlation between adoption and organizational characteristics may be weak. Because of both necessity and convenience, organizations are likely to adopt regardless of their internal characteristics. The latter is not obligatory and easier to adopt since companies are only talking about CSR in their annual reports. Adoption of CSR, or in other words, mention about the concept of CSR in the reports, more important for those who are more visible. As I mentioned earlier, companies who are older and larger in size and sales volume may have more public appearances and are more likely to talk about CSR in their annual reports. It appears that for CG there is an external pressure coupled with convenience whereas for CSR there is a peer pressure coupled with visibility. Hence, CSR is not mandatory but has a peer pressure that is as the number of adopters in the same business group or in all listed companies increase; the likelihood of adoption will increase.

Findings also revealed that there is a difference between implementation of CG and CSR. Compare to adoption, implementation is more costly and requires resources, and therefore companies, which are larger and more profitable, are more likely to implement the practices. There are also institutional pressures emanate from the prior implementers within the business group. Thus, implementation by other members of the business group has a strong relationship with CSR implementation. Another set of institutional pressures pertain to the business associations revealed that MÜSİAD members spent more on CSR which is consistent with the organizations' mission that they aim to engage in philanthropic activities and support people who are in need. On the other hand, organizations that are a member of TÜSİAD are better at adopting the CSR practices, which is again consistent with their mission considering the fact that they aim to have a leading role in the society for an institutional framework that is compatible with the institutional arena, and therefore they encourage the members to participate in this mission.

Analysis on all listed companies revealed that organizational antecedents are not predicting CG adoption since there is a mandatory application by the law. So, companies are generally adopting CG practices regardless of the company size, economic performance or financial power. Organizational antecedents regarding CSR adoption have shown that company size in terms of number of employees is a significant predictor. It is also shown in Table 10 that debt ratio is a predictor of CSR adoption. For CG and CSR implementation the variables vary among practices as well. Number of employees and net profit are organizational predictors of CSR implementation. Whereas for CG implementation, sales and number of employees are organizational predictors. As explained before, business group is shown to be a strong predictor of implementation.

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