Article

Organization Studies
34(12) 1803–1834

DOI: 10.1177/0170840613483809
www.egosnet.org/os
SAGE

Industry Identity in an Oligopolistic Market and Firms' Responses to Institutional Pressures

Rumina Dhalla
University of Guelph, Canada

Christine Oliver
York University, Canada

Abstract

This study sought to explain the puzzle of firm noncompliance under conditions of highly salient and coercive institutional pressures from stakeholders. Based on a qualitative study of the Canadian banking industry's responses to institutional pressures from government, clients, and the media for higher-quality banking service to small and medium-size enterprises (SMEs), results revealed that oligopoly power could not account exclusively for firms' dismissiveness of salient stakeholder expectations. We introduce the concept of industry identity to explain how market power interacted with industry identity to predict firms' nonconformity to institutional pressures and their willingness to maintain identity–image misalignment. Our study contributes new insights into theories of institutional conformity, identity, and oligopoly behavior.

Keywords

industry identity, institutional pressures, oligopoly behavior

Introduction

Institutional and identity theories are predicated on the core observation that firms possess predictable propensities to align with stakeholder demands and to conform to institutional pressures in order to be successful (Dutton & Dukerich, 1991; Elsbach & Kramer, 1996). Institutional pressures are the pressures for change in practices exerted on industry members by the industry's external stakeholders, including, for example, government, consumers, and the public. From an institutional perspective, institutional pressures in the environment (DiMaggio & Powell, 1983; Scott, 1998) cause organizations to conform to these pressures because conformity is serviceable to the

Corresponding author:
Rumina Dhalla, Department of Business, College of Management and Economics, University of Guelph, 227 JD MacLachlan Building, 50 Stone Road East, Guelph, Ontario, N1G 2W1, Canada.
Email: rdhalla@uoguelph.ca

organization in obtaining legitimacy, resources, and success (Scott, 2000), and violators may be subject to punitive measures (Meyer & Rowan, 1977).

Stakeholder and identity theories assume that conformity to the demands of institutional constituents is both inevitable and instrumental to organizational success (Illia & Lurati, 2006; Scott & Lane, 2000). Organizational identity has suggested that negative evaluations by external stakeholders pose a significant threat to an organization's identity because they call into question the central character of an organization (Randel, Jaussi, & Standifird, 2009) and therefore jeopardize the organization's performance. As a consequence research has been conducted on the impact of organizational identity threats on organizations' responses to institutional stakeholders (Elsbach & Kramer, 1996; Gioia, Schultz, & Corley, 2000; Ravasi & Schultz, 2006; Steele, Spence, & Aronson, 2002). Central to this research stream is the assumption that organizations will attempt to restore alignment between their identity and their construed image (how organizations believe external constituents view them) in response to stakeholder threats (Dutton & Dukerich, 1991; Dutton, Dukerich, & Harquail, 1994) and will alter their identity to become isomorphic with external stakeholder demands (Gioia et al., 2000).

If theory and research predict that firms are generally driven to be responsive to institutional pressures, then what explains the conundrum in which firms elect to ignore salient or coercive institutional pressures or to forego identity alignment with stakeholders? We investigated this question in the context of the Canadian banking sector, a very prominent oligopoly in Canada. We explored Canadian banks' responses to institutional pressures for better services and lending practices to small and medium-size enterprises (SMEs). This issue was highly salient to the banking industry's institutional stakeholders and the banks were under considerable coercive and normative pressure from the government, consumers, and the media to be more responsive in their SME lending practices. Yet the findings of our study revealed an industry that was singularly unyielding and dismissive of strong institutional pressures for changes to their approach to SMEs.

Economic theory has argued that oligopolies create entry barriers, competitive restraint, and elevated pricing (Fershtam & Muller, 1986; Schmalensee, 1987; Stigler, 1964). The economic power of firms in concentrated industries gives firms in these industries considerable discretion and autonomy in selecting their market responses and imposing their choices on other market actors. Less is known about how firms in oligopolies, given their considerable economic power, choose to respond to non-market actors, that is, to institutional constituents. We reasoned that an oligopoly's market power would partially explain its capacity to ignore institutional pressures due to firms' market dominance and their motivation to protect the supernormal profits that are common to oligopolies (Allen, 1983; Baumol, 1958). However, notwithstanding the plausibility of market power as an explanation for firms' lack of institutional responsiveness, we proposed that industry structure would be unlikely to account exclusively for firms' decision to ignore institutional pressures. We speculated that the conundrum of nonreponsiveness to salient stakeholder pressures would also depend on the characteristics of the industry as defined by the firms themselves.

We introduce the concept of *industry identity* to help explain the nature of firms' responsiveness to institutional pressures. Industry identity refers to a collective understanding or shared set of beliefs widely held by members of an industry about what constitutes the central, enduring, and distinctive characteristics of the industry as a whole and its members. We define a strong industry identity as one in which consensus surrounding shared beliefs about core industry characteristics among industry members is high. In spite of important insights into organizational identity and the ways in which organizations realign their strategies in response to threats and pressures from institutional stakeholders (Dutton & Dukerich, 1991; Elsbach & Kramer, 1996; Gioia et al., 2000;

Ravasi & Schultz, 2006), research on industry identity has been lacking (Glynn 2008). Earlier work on collective 'mindsets' (Huff, 1982) and 'industry recipes' (Spender, 1989) suggested that industry-level cognitions constitute 'the business-specific world-view of a definable "tribe" of experts,' whose strategies and behaviors are only accurately interpretable through the socially constructed 'ideational order' (Phillips, 1994, p. 384) of how industry actors define 'who we are' as an industry. Related work on competitors as 'cognitive communities' (Porac, Thomas, & Baden-Fuller, 1989) lends further credence to the plausibility of understanding the cognitive construction of firms in seeking to explain their behavior toward others in their field.

Accordingly, this paper seeks to advance understanding of industry identity and its effects on firms' responses to institutional pressures by bringing together the literatures on identity, institutional conformity, and industry oligopolies, and, in doing so, to address the empirical puzzle of how and why firms ignore institutional pressures under circumstances in which they would be predicted to demonstrate institutional conformity. Our work therefore contributes new insights to institutional theory by establishing boundary conditions on traditional predictions of institutional conformity and shedding new light on organizations' choices about responsiveness to institutional pressures (DiMaggio & Powell, 1983; Oliver, 1991). The study also contributes to identity theory by examining it at an industry, rather than organizational or individual, level and demonstrating how identity can be a source of institutional resistance. In addition, this study is the first to link oligopoly theory to industry-level identity, opening the 'black box' of oligopoly behavior and tacit collusion to reveal a portion of industry cognitions that motivate firm behavior in oligopolies. Oligopoly theory explains firm actions exclusively as a function of protecting entry barriers and supernormal rents. We suggest that oligopolies, as a group of firms, are also infused with norms and values that can be manifested in industry identities that establish the criteria for guiding firm performance. Moreover, we propose that oligopolies, by virtue of their interdependence and mutual referencing, are particularly likely to develop strong industry identities, which contributes to explaining the link between industry identity and institutional responses.

To anticipate our results, we found that firms' surprising noncompliance with institutional pressures was very much an outcome of industry identity. How firms viewed themselves as a collective influenced the nature of their perceived duty as responsible economic and social actors, which in turn significantly shaped their strategies and their stance toward institutional constituents. Market power increased firms' capacity to enforce their will, but also magnified the strength of the firms' collective identity through the observability and sense of shared destiny among the group of firms. Industry identity therefore moderated the effects of oligopoly power on firm behavior by providing what the firms viewed as an unusually clear set of implicit performance guidelines for the exercise of their economic and moral responsibilities, rendering them dismissive of pressures and expectations from stakeholders that did not resonate with their own collective self-definition.

Our results also suggest how industry-level identity might be related to performance. We suggest that the impact of industry identity on performance is nontrivial because industries with strong identities tend to be persuaded by the utility of their identity for achieving favorable outcomes, which in turn renders their identities difficult to change. Strong industry identities therefore may account in part for the lag in firms' adaptation to environmental change. At the same time, we suggest, a strong industry identity may be instrumental to the industry's members as a means of lowering transaction and coordination costs and increasing economic rents. We find that a strong industry identity has a very significant but by no means straightforward effect on industry performance.

Research Context and Methods

Research context

The Canadian banking industry. The Canadian banking industry provided an appropriate empirical context for studying the relationship between an oligopolistic industry identity and responses to institutional pressures because the industry is under continued scrutiny and intense pressure for compliance from policy makers, industry advocacy groups, the media, and other stakeholders, and public expectations are high that banks should comply with institutional pressures. Banks in Canada represent the majority of the Canadian financial services sector (Department of Finance, 2005), making Canadian banks institutionally powerful but not inviolable to contrary stakeholder preferences (two recent examples are the banks' failure, despite intense lobbying, to obtain permission to merge among themselves and to sell insurance within their branches). We followed Ruef's (2000, p. 663) approach to industry boundary definition by bracketing out banking 'forms that appear on the periphery and placing primary emphasis on those that are devoted to core functions of an organizational community.' Unlike many countries, the banking industry in Canada is an oligopoly concentrated around what is termed a set of 'big five' banks that are fundamentally distinguishable as the only domestic charter banks which offer a full range of financial services for banking and investments (Canadian Bankers Association, 2007a). The 'big five' banks control over 85 percent of the Canadian market (Office of the Superintendent of Financial Institutions, 2010), dominating the industry both culturally and economically. The remaining 15 percent of banking institutions are distinct forms that operate as smaller regional organizations and niche-oriented international branches. The 'big five' also tend to be the focus of powerful institutional intermediaries evaluating the industry. For example, institutional analysts assessing risk and performance use these five banks as the proxy for the health of the entire Canadian banking industry (Lum, 2007, p. 1).

Institutional pressures and methodology. We chose to focus on the institutional pressure on Canadian banks to improve the quality of their lending to SMEs because it was highly significant in terms of both the intensity of the pressure on banks and its relevance to the banks' core identity as invaluable service providers to this sector. SME loans are generally classified as authorized loans up to $5 million (CDN). SME business in banks is classified under commercial or business banking, and the primary sources of financing for the SME sector are from business loans and lines of credit (Equinox, 2002). As the main providers of debt financing to Canadian SMEs (Industry Canada, 2005), banks have been under significant pressures to be more actively involved in lending to this sector and improving their services. The source of the pressures on banks has included extensive newspaper coverage of the issue, intense pressure from the Canadian Federation of Independent Business (CFIB), and strong regulatory pressure from three Standing Committees of Canada's House of Commons that conducted extensive hearings on the issue. Moreover, the government's Ministry of Finance established a high-profile task force to recommend changes to the policies, legislation, and practices of the financial service industry including policy recommendations to compel banks to be more receptive to the needs of SMEs. Thus, the institutional pressures exerted on Canadian banks on the SME issue were highly salient, very broad-based, coercive, and intense.

The CFIB is an association of over 105,000 small and medium-size independent businesses across Canada. It is a powerful lobby group for SMEs that has exerted highly visible pressure on the banking industry over the last 15 years to improve the industry's participation and service quality in lending to this sector (Canadian Federation of Independent Business, 2007). Our preliminary review of the data showed that the key issues raised by the CFIB, policy makers and the Canadian government with regard to bank financing and services to Canada's SME sector were SMEs' degree of access to financing, perceived high loan rejection rates, high account manager turnover rates, inadequate access to branches, lack of competition in the banking industry, lack of transparency and information, unsatisfactory dispute resolution processes, and perceived discrimination against women entrepreneurs. The banking industry has responded to these pressures as a collective through the banking industry association, the Canadian Bankers Association (hereafter CBA), and individually in House of Commons Standing Committee Hearings (described below). The CBA is mandated to provide its membership with information, advocacy, research, and other required support services (Canadian Bankers Association, 2007b). Together, the CBA and the 'big five' banks account for an overwhelming majority of the banking industry's economic and social influence in the Canadian economy. For this reason we focused on these sources to discern the banking industry's identity characteristics.

We also focused on SME lending as an issue because, as noted above, it was relevant to the banks' identity. The 'big five' banks have claimed that the SME sector is the engine of the Canadian economy.

> We all know…the importance of SMEs to the Canadian economy. Over the past two decades, SMEs have created over three-quarters of all net new jobs. (Standing Committee Meeting, November 6, 2003)

The banks viewed SMEs as the 'bread and butter' of their operations and helping smaller businesses grow was not only important to their identity but was considered an important component of banking operations. One executive emphasized that 'we really like this business and we really want to continue to do really well in it' (Head, Business Strategy). Another executive observed that '[our] core franchise is mom and pop' (Senior Vice-President). SME banking was considered a profitable part of banking operations with a return on equity estimated at 10 to 15 percent (MacKay Task Force Report, 1998).

This study was conducted using a qualitative case study methodology (Eisenhardt, 1989), which was primarily built using archival documents and data collected from in-depth interviews with participants from four of the 'big five' Canadian banks, and CBA and CFIB representatives. Interviews were then triangulated through publicly available archival data. In the following section, we describe the data collected. Obtaining access to the senior ranks of banking officials on the issue of SMEs was challenging due to the sensitivity of the issue and demands on top bankers' time. For this reason, one bank declined to be interviewed. However, we were able to cross-check their responses to SME pressures through all of our archival data and Standing Committee hearings and they exhibited responses entirely consistent with the other 'big five' banks. Therefore we were confident that our sample was representative of the banks as a whole.

Research data sources

House of Commons reports. To obtain information on SME pressures on the banking industry and the industry's response to these pressures, all transcripts from hearings of the Standing Committees of Canada's House of Commons addressing issues of SME bank financing were collected and analyzed. The legislative authority over banks and banking is the federal Parliament (Canadian Bankers Association, 2007c) and the Government of Canada is responsible for the market conduct and banking operations of banks (Department of Finance, 2005). Committees of the House of Commons are formed to allow for in-depth and detailed examination of matters in front of the House and provide an opportunity for the federal government to hear from constituents, experts, and representatives from relevant industries. Standing Committees of the House are permanent committees established by the House to explore matters referred to them by orders from the House and reviews of Acts (House of Commons, 2008). These committees were mandated to examine SME issues over the period under study: a total of 82 reports and transcripts from meetings for the period 1995–2009 from the House's Standing Committees on industry, finance, and industry, science and technology were collected and coded. In addition, reports from Industry Canada were also reviewed to gain insight into the SME industry, government initiatives, and industry responses.

Semi-structured interviews. In-depth interviews were also conducted with representatives from the industry in two steps. First, preliminary meetings that lasted between 20 and 45 minutes were held with 13 participants from the banking industry. The main intention was to obtain general information on the banking industry and the SME marketplace, and to gain access to additional participants. The information from preliminary meetings allowed us to formulate the interview questions relevant to the banking industry and the SME lines of business. The next step was to conduct in-depth semi-structured interviews. The interview protocols were designed with open-ended questions and specific prompts to obtain as much descriptive data as possible (Rubin & Rubin, 1995). As suggested by identity scholars, laddering or 'nested why questions' were used to uncover underlying identity claims (Whetten & Mackey, 2002). Cold calling, snowball techniques and referrals were used throughout the data collection process to gain access to additional bank participants.

A total of 28 in-depth interviews were conducted with senior bank and industry representatives. Interviews were conducted with a president of commercial banking, seven top-ranking senior executives in risk management in the four banks, a head of national business strategy unit, and three senior executives of public relations departments from the head office departments of banks. In addition, interviews were conducted with four vice-presidents, a regional manager, a senior representative, and six senior account managers from the business line operations. Four senior representatives from the CBA and CFIB were interviewed. Obtaining access to the senior levels of management at the banks and the CBA was considered crucial in conducting this study. Top executives are key decision makers in the industry and are arguably most knowledgeable about and representative of the industry. Top management employees are also more likely to identify with the organization than other employees because of their higher visibility and promotion of the organization (Scott & Lane, 2000). Focusing on executive-level respondents also provided a closer approximation to Whetten's (1997) recommendation that construed image be defined as the way 'organizational elites' would like outsiders to see the organization (Gioia et al., 2000, p. 66). Thus, these in-depth interviews gave the researchers the opportunity to gain relevant insight into the banking industry and to elicit identity claims and perceptions of construed external image at very senior levels.

The interviews ranged from 35 to 112 minutes (average 59 minutes). Each interview was taped and transcribed individually. We conducted the first edit of each tape by listening to each interview and making required corrections. Two subsequent edits were performed to maximize accuracy of the interview data. Each interview was assigned to a separate file and each file was only identified using the title of the participants. This was to ensure that participant identity remained confidential.

Newspaper articles. Articles from newspapers were examined to explore the pressures on the industry through media, bank and industry responses specifically related to SMEs and banks' initiatives and communications in response to these pressures. A search was conducted on Canadian

Table 1. Data sources and the data analysis and coding process.

Data source	Data analysis and coding process
Standing Committee meetings minutes and evidence	Full text of the minutes of the meeting and evidence of the Standing Committee proceedings were sorted by the year the meeting was held. Each meeting was given a unique filename and files were separated into sets in NVivo, with each set representing the year the meeting took place.
Interview data	Transcribed interviews were assigned with filenames that only reflected the position of the participant to protect individual identity. Each file was treated as a separate source document.
Media articles	A project file for newspaper articles was created with articles on CBA, the banks, the banking industry and SMEs.
Secondary archival data	CBA published documents and website information were downloaded and searched for information on 'SME', 'small', and 'business' to understand industry strategies for this sector.

Newsstand for articles on 'banks' and 'small business' and 'CBA' for the period January 1, 1995 to December 31, 2009. This yielded 840 articles in Canada's major newspapers. To ensure coverage, an additional search with the same search terms was conducted on Factiva and Canadian Business and Current Affairs (CBCA) databases which resulted in an additional 116 relevant articles, for a total of 956 articles in the major newspapers on banks and small business. The search was further refined by eliminating unrelated and duplicate articles, resulting in 786 relevant articles.

Secondary archival data. Additional secondary data were also collected to provide information on the banking industry and the SME sector. Archival information from the CBA was examined for the banking industry's identity claims and how the industry responded to SME pressures. The CBA and 'big five' bank websites were also examined. Information from the CFIB included results of surveys on banking and submissions to different levels of the government including the Standing Committees of the House of Commons. This information provided data on issues and needs of this sector from the perspective of the SME businesses as well as pressures on the banking industry from the sector.

Analytical approach

Thematic analysis and coding. The NVivo software program was used to analyze the data. This program is designed for qualitative research and allows researchers to collect, organize, analyze, and track the data. The House of Commons transcripts, interview data and newspaper articles were converted to text files and fed verbatim into NVivo. These text files were then analyzed and coded using NVivo. A systematic coding process was used for the development and interpretation of the data and preliminary coding categories emerged from the data. These initial codes were dated and printed to provide a record of the emergence of the coding categories. An iterative, interactive, and dynamic approach was used to analyze the data (Miles & Huberman, 1994) and to conduct thematic analysis and coding of interviews and archival documents (Eisenhardt, 1989). This method of data analysis, based on guidelines provided in existing literature (Miles & Huberman, 1994), facilitated the analysis of collected data to allow dominant themes and concepts to emerge. We first went through all our data and identified broad categories and looked for related themes. We then conducted a second round of analysis of the categories that initially emerged, looking for relationships and redundancies, reduced overlaps, and combined common themes. For example, within the broad theme of identity characteristics, we combined the categories of safeguarding the consumers' interests, protection of vulnerable constituents, and paternalism into the category of 'guardianship.' Once the major categories were established and any overlapping categories collapsed, these categories and emerging themes formed the results of the data analysis. Data from all sources were analyzed discretely, as shown in Table 1.

Results

The results of our analysis revealed an industry that was unyielding in response to institutional pressures for changes to its SME lending services and practices, and industry members failed to experience discrepancies between their identity and their image as salient or motivational. As Figure 1 indicates, the oligopolistic nature of the industry (Baumol, 1958, 1967; Demsetz, 1973) affected the banks' responses to institutional pressures and the strength of the industry's identity. In addition, the characteristics that a group of organizations define as central, enduring, and distinctive to their identity (Whetten, 2006) are necessarily history- and context-specific (Ruef, 2000). We briefly outline these important identity antecedents prior to explaining the Canadian banks' industry identity uncovered by our research.

First, banks in Canada existed prior to the formal founding of the country in 1867. As early as 1817 banks were mandated to extend commercial loans and encouraged to become large national banks (Short, 1932). These founding conditions fostered a strategic emphasis on banks as highly stable economic actors. Subsequent legislation outlining the need for high levels of liquidity in bank assets also contributed to an emphasis on caution in loan and risk management and concern for the protection of consumers. A senior executive at a Canadian bank spoke about this commitment of banks to protect their depositors:

> Regulators' principal objective when they gave us a charter was to protect the depositor. The nature of the charter was that the bank was very conservative, a vanilla kind of place. (executive vice-president)

The important role of path dependence is consistent with other theories on the emergence of forms: 'institutionalists and transaction cost theorists have typically considered the emergence of forms as a product of *particular* historical constraints and motivations' (Ruef, 2000, p. 660). Thus, the historical charter of banks as a conservative protector of deposits partially laid the path-dependent foundation for the industry's identity.

Second, the highly centralized and conservative nature of Canadian banking regulation fostered a relationship between banks and regulators that gave the banks more competitive protection and market power than might be granted to oligopolies in general. In explaining the Canadian banks' positive performance, a prominent financial news source observed that 'a big factor [in the banks' positive performance] is the cozy relationship between the regulators, the Bank of Canada and the individual banks.' Similarly, an interviewee indicated that

> when you look at Canadian returns, banking returns on a global basis, banks that consistently are at the top of the tables are the Canadian banks…it's because of the protected marketplace. (executive vice-president & chief risk officer)

Regulatory infrastructure reinforced basic oligopolistic conditions, heightening entry barriers and helping to protect the industry from competition, creating insularity conducive to the development of a shared understanding among firms about the appropriate means of carrying out their mandate and a vested interest in cooperating with one another to maintain their protected status.

Third, the banks exhibited a high degree of interconnectedness, an industry characteristic that is common but not inevitable in oligopolistic industries. In particular, this industry exhibited high member mutuality, in that ‘members have come to understand the behavior of other members and the underlying logic of their decision making…in economic terms, this is akin to firms having the ability to predict one another’s actions’ (Peteraf & Shanley, 1997, p. 167). This inter-firm interaction was largely attributable to an industry association that raised awareness about the need for joint action and representation, reinforcing the propensity toward mutuality and unanimity among firms in their identification with one another. While the influence of the association on illegitimate collusion is speculative, it is known that high degrees of interaction among banks increased observability and shared learning opportunities among firms, reinforcing the stability and perpetuation of a unanimous collective identity. Thus, industry concentration, together with the industry’s history, regulatory infrastructure, and degree of interconnectedness, influenced the nature and strength of the industry’s identity.

Industry identity within an oligopoly

Our results showed that the cognitive orientation of banking industry members exhibited striking characteristics: a very high degree of structural, product, and performance homogeneity, remarkable cognitive unanimity, an unusually high level of awareness of their shared destiny in achieving success or failure, and strong cognizance of the need for cohesion in voicing concerns to mitigate negative events. Based on across-industry interviews and analysis of the parliamentary hearing transcripts, these characteristics were revealed, for example, in the marked similarity of opinion among banking executives across the banks on strategic issues, and in their repeated reference to one another as instrumental to their collective success.

> You are only as strong as your weakest link. So in that context people understand that there are interdependencies [among the banks]. No one can be successful unless everyone is successful, and then they will generally cooperate in the context of maximizing the outcome for everybody. (vice-president & senior risk officer)

> I think the industry, although we are competitors, there [are] also a lot of points of co-operation as well which I think promote and protect the industry. Reputation of the industry is not just any one member’s reputation. (senior vice-president)

Interestingly, despite being direct competitors, executives at different banks saw themselves as fundamentally undifferentiated from one another.

> I think fundamentally the [big five] banks are not radically different…Canadian banks are very alike in terms of how they do things or what they do. (executive vice-president & chief risk officer)

> We all have the same products…Pretty much the same. You could call it by a different name, you could paint different pictures but in the end it is the same. (senior account manager)

The degree of unanimity and lack of differentiation among industry members was even a source of criticism from external constituents, especially when their unanimity augmented their power to intervene in political decision making.

> CBA's intervention in matters concerning politicians and bankers…cultivates a perception of unity among banks that only attracts political antagonism. Bankers would do well to declare their individual policy priorities to politicians, expose their differences of opinion, and allow themselves to be judged on their own merits. (J. Turley-Ewart, *National Post*, September 28, 2000)

The next section identifies the industry identity characteristics that constituted the banking industry's strong identity and that shaped so significantly the banks' responses to institutional pressures from SMEs.

Industry identity characteristics

Industry identity is an industry's response to Albert and Whetten's (1985) path-breaking question, 'who are we?' as an entity. To identify the central, distinctive, and enduring characteristics of the banking industry, we applied Whetten's (2006) criterion of three identity claims on the basis of evidence that these claims were consistent and repetitious within the data. First, we sought 'claimed central character,' which refers to claims about what the banks defined as important and essential to who they were as both an industry and a member of the industry. The second identity claim was 'claimed distinctiveness,' which refers to claims about how they differed significantly from others (in this industry, members' point of comparison was banks in other countries). The third claim, 'claimed temporal continuity,' referred to evidence of the industry's reference to the relevance and continuity of its history in its current actions and mandate. The data revealed five core industry identity characteristics repeatedly claimed by banking industry members as central, distinctive, and enduring. Table 2 summarizes and provides illustrative evidence for these characteristics.

Ascribed power. Canadian banks described themselves as large, indisputably significant, and indispensable to the economy due to their contributions as large employers, tax payers, contributors to community and charitable activities, and purchasers of sizeable goods and services (Canadian Bankers Association, 2008). 'Banks are large employers in this country and they are a competitive advantage for Canada. Profit margins are high' (Vice President). Banks exhibited an unshakeable belief in their power as major causal agents in shaping the fabric, stability, and success of Canadian markets and communities. We refer to this identity characteristic as *ascribed* because banks saw their power as assigned to them by a Canadian charter (a fact they repeatedly emphasized), which elevated the significance of their power.

Superior expertise. The second characteristic central to the banks' industry identity was an unusually high degree of emphasis on, and confidence in, the superiority of their own expertise, a characteristic that was reinforced by their positive performance. Banks in Canada have consistently made profits and they fared well in the 2009 financial crisis. Banks believed that their positive performance was very much due to their superior expertise. In an industry submission to the House of Commons, they called themselves 'the Canadian Advantage':

> Considering what happened to the global financial system and the unprecedented turmoil it has been going through this year, it is important to remember that this turmoil did not originate in Canada. Furthermore, even though it is having an impact on banks in Canada, they have largely avoided the difficulties that banks around the world are now facing. Today, Canada's banks remain strong and stable as a result of being well capitalized, well managed and well regulated. (Canadian Bankers Association, 2009)

Table 2. Industry identity characteristics: illustrative evidence.

Identity characteristic	Evidence: interviewees	Evidence: parliamentary hearings	Evidence: archival and media sources
Ascribed power	The whole wide world thought [banks] are too big to begin with, because they make billions of dollars, they charge too much. [Canadians] can't believe [banks] charge [them] for keeping [their] money at the bank. (executive vice-president) We would like the government to recognize us as an industry that is good for Canada. That provides very good jobs and in fact can be a driver of economic growth. (CBA representative) As I said, I think [those describing the bank] are thinking strength, expertise and they are probably also thinking big. (head, business strategy)	I would like to highlight a few statistics about the contribution of banks to the Canadian economy. In terms of employment, banks and their subsidiaries employ a quarter of a million Canadians…banks paid close to $9 billion to governments in Canada last year. Banks make an important contribution to the economy, and I'm sure the members around this table realize that. (president and CEO, CBA, Standing Committee on Finance, March 12, 2009) Canada's banks are strong. Canadians remain confident in their banking system. This is an advantage for Canada that other countries do not have, and certainly keeping that advantage will be crucial to the recovery of Canada's economy. (president and CEO, CBA, Standing Committee on Finance, March 12, 2009)	Canada's financial services sector is an essential contributor to the country's economic growth and well-being. Banks are leading taxpayers, progressive employers and major purchasers of goods and services from Canadian suppliers as well as being good corporate citizens. (Canadian Bankers Association, 2010) Banks contribute approximately 3.0% to Canada's GDP. (Canadian Bankers Association, 2010) For the second year running, Moody's Investor Service has ranked Canada's banks as number one in the world in terms of financial strength. (Canadian Bankers Association, 2009) The bankers obviously are trying to force the pace of change, [said Catherine Swift of CFIB], and they're pretty powerful. They will outlast any government or minister to whom they are not kindly disposed. (J. Deverell, *Toronto Star*, January 24, 1998)
Superior expertise	You are getting a very good product at a very good price compared to other jurisdictions. (CBA representative) Clients expect that you are experienced in business. That the bank [has] expertise… [Clients] understand that the organization has certain expertise and credibility. (Head, Business Strategy and Integration). We are the lender. [The government relies] on our expertise to be able to analyze a loan request. (senior account manager) You need to understand where your strengths are and continue to drive forward building capability… There is a lot of support and expertise and all the infrastructure that actually goes into making that vision live. (head, business strategy and integration)	Canadian banks are very well viewed around the world, and we're seeing all sorts of increasingly good commentary about our system here. (CBA representative, Standing Committee on Finance, March 12, 2009) It's my job to make sure that everybody is extremely confident in Canada's banks, and obviously they are. (president and CEO, CBA, Standing Committee on Finance, March 12, 2009) We recognize that the words are very complicated. We've been struggling hard to try to find plain language to help explain some of these [credit] terms. (representative of a 'big five' bank, Standing Committee on Finance, May 28, 2009)	Canada's banks [were recently ranked] as number one in the world for soundness by the World Economic Forum, also for two years running. (CBA, October, 2009) I'd stack our charges up against any industry in terms of the convenience and value provided, because we have a very secure, efficient banking system. You bring in your cheque for deposit today and you get the money today. You don't wait seven or 10 days as you do in the United States and some other countries. (C. Green, *Canadian Banker*, September 19, 1996, quoting chairman of the Executive Council, CBA) Canada remains the only industrialized country in the world that has survived the last two years of financial and economic stress without a single bank failure. (Perry, 2010) Canada's banks are among the world's best, by most standards of performance. (C. Green, *Canadian Banker*, January 11, 1998)

(Continued)

Table 2. (Continued)

Identity characteristic	Evidence: interviewees	Evidence: parliamentary hearings	Evidence: archival and media sources
Guardianship	What responsibilities do people have with [these] big machines pumping out products that are totally inappropriate for a retail investor? You can say from a buyer beware [perspective] you should know. But the reality is that many people, they can't understand what you are telling them anyway. (executive vice-president & chief risk officer) [T]he last thing you want is to be the big bad bank, who threw out the widows and orphans and the church members. (account manager) We have the investment bankers who go gung ho and come up with a complicated product that is going to make us gazillions of dollars, [but is] probably not appropriate for the retail investor at all. [Selling this type of product to them] is not consistent with values that we are known for. (executive vice-president & chief risk officer)	Banks have to stick by their customers in a time like this and we all have to get through this difficult period together, however long that's going to be, because banks are only going to be as good as their customers. (president and CEO, CBA, Standing Committee on Finance, March 12, 2009) Our customers, I believe, do not want their banking information released. What I'm hearing from [this] committee is that perhaps our customers don't mind the information being released, whereas I take the position that the customer's information that he or she has with the bank is private to their own relationship. It is not something that can be made public and available. (representative of a 'big five' bank, Standing Committee on Industry, November 7, 1995)	One of the most valuable services a bank can provide is the ability to protect its customers' privacy. Canada's banks have recognized this from the beginning and are leaders in keeping their customers' personal information accurate, confidential, private and secure. (CBA, May 2008) Banks work hard to protect their customers and educate them about how fraud happens. (president and CEO, CBA, May, 2008) The banking industry works very closely with law enforcement officers from across the country and their dedication helps banks protect their customers from fraud and keep bank branch staff and customers safe. (director, security, at the CBA, February 2010)
Ethical conduct	I think generally speaking the banks have high ethical standards which actually keep them out of a lot of trouble, and [we] recognize the value of those standards. (executive vice-president & chief risk officer) Always make a good business decision. It should be…well grounded [in] ethics and morals, social responsibility. If that isn't there, there is not the culture nor intent of the charter or the business that we are in, of the banks. (executive vice-president) The nature of our business is that you can trust us to give you good advice and you can trust us when we tell you something is guaranteed. That is the foundation which causes people to be very comfortable putting their life's savings here. That is the nature of the business. (executive vice-president)	The code of conduct, the alternative dispute resolution mechanism, our privacy code, our anti-money-laundering procedures - we agonize about them up front. Once we commit, they come out; we can't afford to act otherwise. (president and CEO, CBA, Standing Committee on Industry, April 25, 1995) We have all implemented our own codes of conduct for small- and medium-sized enterprises. As part of these codes of conduct…we have each implemented our own alternative dispute resolution process, which is available to customers who have complaints about the loss or reduction of credit, or about the bank calling its security. (representative from a 'big five' bank, Standing Committee on Industry, November 7, 1995)	The good news, [Chairman of the CBA said] is that we're talking about an industry that's excellent, by world standards, in terms of efficiency and stability, and a group of banks that are customer-focussed and ethical in their dealings. (C. Green, *Canadian Banker*, January 11, 1998) 'Integrity in all that we do' is a key value…It permeates our practices, leadership and disclosure, our risk management framework, and the principles, codes and policies that guide our decision-making. We believe that by operating with integrity, we can fulfill our responsibilities to our stakeholders and maintain their trust. ('big five' bank, corporate responsibility report and public accountability statement, 2009) [We will] continue to conduct business according to the highest standards of ethics and integrity. ('big five' bank, *Corporate Responsibility Report*, 2008)

Table 2. (Continued)

Identity characteristic	Evidence: interviewees	Evidence: parliamentary hearings	Evidence: archival and media sources
Prudence	I think we are all likely to be considered to be low risk, safe, conservative, institutions. And you know the banks are [about] safety first. I think all the Canadian banks probably share that… I think overall there is no Canadian bank that would want the image to deviate much. I mean deviate from safe and conservative because it is our deposit base that we run our business on. And the deposit base requires a conservative approach. (vice-president) I think Canada's banking industry is quite… conservative. And so it is not so much the opportunities of the kind of business we do, I think [Canadian banking] naturally involves actual safeguards as opposed to other parts of the world. (vice-president) I don't want to sell something that promises a return of 15% but has a possibility of losing 80% of the principal, right, because that is totally unsuitable for a lot of the population. (chief risk officer)	[B]anks in Canada are among the best-capitalized in the world, and they are strengthening their capital levels with new capital being raised from investors in the marketplace. Also, they are prudent and well-managed. (president & CEO, CBA, Standing Committee on Finance, March 12, 2009) We have to be really, really careful not to conflate what's happening south of the border with what's happening in Canada. I do think that south of the border we saw a lot of underwriting problems and loose practices, and those have come back to haunt us. In Canada, by contrast, we've always prided ourselves—and this has been the fact—that we are very prudent, careful lenders. (CBA representative, Standing Committee on Finance, March 12, 2009)	Canadian banks have been prudent lenders, avoiding the sub-prime mortgage loans that were popular in the United States, and were also the first in the world to adopt the advanced approaches to risk management under the new international Basel II capital framework. (CBA, October 2009) Banks in Canada are well managed, prudent lenders. (CBA 2010)

The banks' strong core identity of superior expertise created a taken-for-granted belief in their unvarying superiority in knowing what was best for constituents, including SMEs. Banks' belief in the magnitude of their own expertise also led them to feel a justified pride in the reputation for integrity that accompanied this superior knowledge.

> When [the regulators] asked me if I think about reputational risk I just laughed. We think within a bank with the kind of stature and reputation on the street that we have for pushing 200 years, for every single day from day one, we were very focused on trust and integrity and our reputation and we would not be here if we weren't. It is the core of the way we do business. (executive vice-president)

The strong belief in their superior expertise also led to a shared sense of resignation about the inevitability of being misunderstood and potentially unappreciated by the country they served.

> The number of reasons people can list about why they dislike the [Canadian] bank [sic] are long. If you ask them on the other side of the page, write down anything you like, most people would have something, but it would be a very short list. (executive vice-president)

Even in the face of considerable public disapproval, the perceived core characteristic of superior knowledge and expertise was immutable and significantly affected their behavior and their view of themselves as effective but misunderstood servants of their constituents.

Guardianship. The third core identity characteristic that emerged from the data, which we term guardianship, refers to a strong normative belief in the importance of providing protection to ill-informed constituents, whom banks construed as anyone other than the most highly knowledgeable, wealthy and sophisticated investor. Interviewees emphasized repeatedly that they took the role of consumer protection seriously, a responsibility they indicated was part of the charter provided to banks under the Bank Act.

> Banks have more of an obligation to others, to their clients…There is a higher standard on banks, and again it comes from the fact that we have certain privileges by virtue of being a financial institution but we also have certain obligations. (vice-president)

Key to this sense of guardianship was the protection of those whom they believed were unable to make sound investment decisions. One executive, describing the vulnerable constituent as 'grandma,' said that banks needed to protect these depositors from high-risk investments, even if the upside potential return was high.

> [When] grandma [comes] in to roll over a $50,000 GIC [guaranteed investment certificate], and when she cannot afford to buy bread any more because 3% spread is not doing anything, and [sees] a bulletin come through from [an investment advisor] that says 18% return…I don't want [the investment advisor] talking to the grandma. (senior vice-president & chief risk officer)

Another interviewee asked:

> Would you sell that kind of [high-risk] instrument to a retail investor? At some point the answer is no…it is too complex and the probability of them actually understanding what they are getting into is too small. (senior vice-president)

The core identity of guardianship was also revealed in their comparison to US counterparts whom they considered as possessing more of a 'buyer beware' strategic orientation than a protective, guardianship-based orientation.

> Money centers in the US, Morgan Stanley, the big guys…are absolutely cut throat and they make no bones about it. They put it out there and say we will sell you anything. Here is the price, here is the risk, go with God and if you get it in your ear, that is your problem. (executive-vice-president)

The core value of guardianship of the client was therefore central to defining Canadian bankers' industry identity, and the belief in their own superior expertise increased the perceived difference between their own degree of expertise and that of their constituents, causing the banks to assume that all but the most unusually sophisticated constituents were very poorly informed and in need of their special protection.

Ethical conduct. Consistent across banks was an unrelenting belief in the value and pervasiveness of their ethical conduct.

> Always make a good business decision. It should be based on very, very well grounded ethics and morals, social responsibility. If it isn't, then there is not the culture nor intent of the charter or the business that we are in. (senior vice-president)

Evidence showed that external constituents concurred with the banks' views pertaining to this identity characteristic. A Global Reputation Study conducted by TNS Canadian Facts in 2004 confirmed that banks were viewed as ethical and trustworthy.

> Canadian banks fare well in the minds of most Canadians. "Trust" is again a leading indicator for reputation and something that is associated with banks given the way the sector is regulated to protect consumers. (TNS Canadian Facts, 2004, p. 7)

Incredibly, banks were simultaneously trusted and, as noted earlier, strongly disliked by external constituents. One executive said: '[t]he customer…hates the bank…and we can't seem to change that. So we stop trying to get the people to like the banks, who make money' (President). Another bank executive explained the paradox this way:

> We [the consumers] trust [banks] not to lie, cheat and steal. We trust them to give us our money back if we give it to them. But we hate those [guys] because they charge us for everything. We hate those guys because they don't pay us enough interest on our deposits. And we hate those guys because they charge us too much for loans. We hate those guys because the credit cards are usurious when we find ourselves in financial difficulty and that is not respecting our personal problems - as though that should be the bank's problem! We hate those guys because in order to deal with them, they close the branch, and now I have to travel to the other side of town to do my banking. We hate those guys and the list goes on forever, right? That is the description of our reputation, right? Not just we trust you. (executive vice-president)

Moreover, the media confirmed constituents' dislike of Canadian banks as an industry.

> But perhaps the biggest reason CBA fails is that politicians listen to the people, and the people still dislike the banks. (D. DeCloet, *Financial Post*, 10 August 2001)

Therefore ethical conduct was central to the banks' identity notwithstanding the public's pointed disapproval of Canadian banks in general.

Prudence. Fifth, and finally, bankers believed prudence to be the bedrock of the Canadian banking system. Prudence refers to sound risk management, fiduciary responsibilities, and stability in terms of the risk related to loans, product failures, the payment clearing system, and financial markets. For example, when discussing the global asset-based loans crisis and the subsequent difficulties faced by homeowners who could not make payments on their homes, one executive acknowledged that short-term profit could be made by catering to those who take large risks with their assets or sell high-risk instruments, but that such an approach would be anathema to Canadian bankers' central characteristic as prudent firms.

> This is not a highflying investment house that pays radical risks for real wealthy people that are prepared to go to Vegas and drop a million bucks…And you don't want a CEO of a bank in Canada that abuses that and distributes high-risk paper to that constituent, makes a couple of billion dollars in profit doing it and they all get killed at the turn of the credit cycle because that paper all starts to tumble. You don't want to be that [kind of] financial institution. (senior vice-president)

Prudence was also inextricably related to the core industry characteristics of guardianship and ethical conduct.

> I don't want to sell something that promises a return of 15% but has a possibility of losing 80% of the principal, right, because that is totally unsuitable for a lot of the population. (chief risk officer)

The banks' emphasis on prudence was reflected in global rankings. It is highly noteworthy that 'its [Canada's] banking system was voted the soundest [in the world] by the World Economic Forum's most recent *Global Competitive Report'* (*Business Week*, 2010). Prudence as a core industry characteristic was therefore central to the industry's identity and played a highly significant role in its orientation to constituents.

Having identified the industry's identity and its antecedents, we turn now to the important question of how an oligopoly with a strong industry identity affected firm behavior in responding to a significant institutional pressure.

Responses to External Stakeholders

The quality and relevance of SME lending practices by Canadian banks were a conspicuous strategic issue to the industry's constituents, including not only SME associations and the public (as reflected in direct submissions to banks from the dominant SME association – the CFIB – and in extensive media coverage by the country's major newspapers and other outlets), but also formal legislative bodies that held extensive public hearings on the SME issue and, notwithstanding a generally close relationship between regulators and banks, possessed the coercive power and strong political motivation to force changes to the industry's practices on this issue. This issue should have been expected to trigger a very strong industry response, as judged by the media attention devoted to it, the scope of the criticism against the industry that it created, its obvious significance to external stakeholders and regulators, the strong coercive pressures from government that it generated, and its high public visibility in both public hearings and the media. Yet banks, interestingly, did not comply with these strong institutional pressures.

Mechanisms of identity influence on institutional responsiveness

Several mechanisms explained how industry identity influenced the institutional response of firms. First, a strong industry identity gave firms within the industry an unusually compelling set of implicit *decision criteria* or performance guidelines for categorizing and prioritizing the importance of environmental issues relative to their own strategic objectives and performance. The characteristics of the industry's identity were connotative of strategic relevance and provided a cognitively persuasive and highly selective set of heuristics (such as prudence or ethical decision making), for directing their behavior, constraining firms' reactions to institutional responses consistent with their collective self-definition. Industry identity therefore served as the cynosure for issue prioritization and strategic decisions, tightly binding firms' response repertoires to issues in the environment that reinforced or coincided with their industry identity.

Second, industry identity shaped the *means* by which firms processed environment issues, directing not only the issues to which firms attended but predetermining how environmental issues were handled. That industry members viewed themselves as extremely intelligent (and there was no evidence to suggest their perceptions were incorrect) predestined them to highly abbreviated information processing of institutional issues, particularly those that were viewed as incompatible with their identity. Firms processed environmental issues as considerably less ambiguous and problematic than might normally be perceived among top managers in general, leading them to expend less energy on processing and interpreting the issue. High degrees of inter-firm observability and homogeneity heightened these effects through repeated reciprocal referencing among the firms. Reciprocal modeling was viewed as a rational source of information for directing individual firms' strategies because other firms in the oligopoly were considered very pertinent to them for both competitive and mutualistic reasons (Peteraf & Shanley, 1997). Therefore, reciprocal modeling provided a further shortcut for processing and interpreting an institutional issue and deciding the most suitable response to it.

The third mechanism by which industry identity influenced firms' responsiveness was through its perceived *utility* to industry members as a source of economic advantage and enhanced bargaining power with external stakeholders. In dealing with regulators, a representative of the CBA observed that 'we run numbers, we coordinate. There is a ton of big, operational policies, operational clarification that are [sic] not competitive in nature, right across the board' (CBA representative). Overall, members exhibited remarkable identity consistency and viewed this consistency as advantageous. The oligopolistic nature of the industry reinforced the instrumentality of a strongly shared belief system because market power and the smaller number of organizations enhanced knowledge sharing, trust, and solidarity in asserting their will in the institutional environment. The perceived utility of their industry structure, in turn, also contributed to a sense of in-group superiority and prestige that augmented the strength of their collective identity. The instrumentality of their identity was therefore self-reinforcing.

To summarize, the magnitude of the banks' unalterable faith in the economic and social legitimacy of their industry eradicated doubts about the appropriateness of their various behaviors toward institutional constituents. The industry's identity, characterized as it was by an unusually high degree of identity consistency, unanimity, homogeneity, and perceived instrumentality, narrowed firm attention to an unambiguous and implicit set of guidelines for interpreting and directing their actions toward constituents, creating heavily circumscribed industry enactments about what constituted or merited identification in the first place as an institutional pressure or identity threat. Consequently, the industry's response was distinguishable for the theoretically predicted responses (DiMaggio & Powell, 1983; Oliver, 1991) that it *failed* to exhibit in response to coercive and normative pressures, including the absence of either vigorous resistance *or* strong institutional conformity, and the lack of any attempt to reconcile identity–image discrepancies generated by these pressures. Strong confidence in their own identity meant that firms expended few attentional or material resources either in attempting to change or to realign their own behavior in response to stakeholder demands or to improve the perceived legitimacy of their actions, even in the face of threat of legal force to ensure institutional compliance. Feedback from constituents was neither negotiated nor strongly contested by the industry, as literature on identity at the organizational level would predict (Dutton & Dukerich, 1991; Gioia et al., 2000; Randel et al., 2009; Ravasi & Schultz, 2006), and cognitive reorientation was virtually nonexistent.

We thus found that the self-assurance associated with a strong industry identity led discrepancies and pressures to be rejected out of hand as irrelevant or trivial. The self-reinforcing and heuristically simplifying character of the industry's identity as a sense-making mechanism contributed to its insularity, reducing further the likelihood that institutional pressures would be seen as significant, and reinforcing the legitimacy of its identity as the appropriate script for guiding action. As a consequence, the industry exhibited only three distinctive strategic responses, responses that were both unexpected and unsatisfying to institutional constituents: *rejection, assimilation*, and *preservation*. These are discussed next. Table 3 defines these strategies and provides illustrative evidence for each of them.

Rejection

Strong industry identities lack equivocality. The industry identity characteristics of ascribed power, superior expertise, and prudence were strong cognitive filters that framed the institutional issue of SMEs as relatively trivial, in spite of the strong coercive and public pressures exerted on banking firms by regulators and the media to respond to the issue. Rejection refers here to two particular approaches to ignoring institutional pressures and paying symbolic lip service to an institutional demand, which we call, respectively, *dismissiveness* and *token attention*.

Dismissiveness. Dismissiveness is the relatively curt rejection of a constituent issue, which is not so much challenged as deemed *inaccurate* or interpreted as *unimportant*. For example, in response to repeated SME demands for more personal in-branch service, the banks responded by providing on-line service instead, believing that this would be more beneficial to SMEs than any of the services the SMEs actually requested. SME clients were advised that they were simply mistaken, for example, in believing that enhanced personal in-branch service would be helpful to them. Similarly, when SMEs repeatedly indicated that they were not given sufficient loans, the banks responded by simply asserting that this was false. 'Canadian SMEs generally have ready access to financing when they need it, it seems to us' (Standing Committee meeting, November 6, 2003).

Superior expertise as a core identity characteristic led to pre-emptively dismissing not only institutional demands but also the informational basis on which those demands were established. In this way, the banks tended to dismiss the sources or veracity of information or data provided by stakeholders in support of stakeholders' demands. For example, a CFIB (SME association) interviewee emphasized the SME association's role in providing 'a database of valid information and credible information' for government and policy makers from surveys of members on issues of relevance to SMEs. In response, bankers called into question the SME industry association information, dismissing it in Parliamentary hearings as inaccurate and imprecise.

Table 3. Industry responses to SME pressures.

Responses to external constituents	Sub-categorical responses	Examples	Sample illustrative evidence
Rejection	Dismissiveness	Deeming an institutional issue or its factual basis as inaccurate Reframing a salient issue as irrelevant	Let's look at access to financing for a moment. According to surveys conducted by Statistics Canada, Canadian SMEs generally have ready access to financing when they need it, it seems to us. (Standing Committee meeting, November 6, 2003)
	Token attention	Placating stakeholders with symbolic responses Instituting peripheral, ceremonial changes	[The banks] adopting a code of conduct or ADR process is important to some degree, but the bottom line is availability of credit…At the end of the day, that's what counts for the entrepreneur. (CFIB, Standing Committee meeting, April 26, 1995)
Assimilation	Paternalism	Protecting constituents from themselves Pre-emptively denying constituents higher risk options	For institutional investors, they deserve what they get, they are smart enough to know better. Mom and pop not so…you make sure that what are going to sell them…is suitable for them given their risk appetite. Not given your perspective, given their risk appetite. (executive vice-president and chief risk officer)
	Education	Instructing stakeholders rather than responding to their requests Correcting perceived misperceptions about banking	What we try to do is there is a long-term effort to try to educate politicians and key senators, media, all that kind of stuff. There is a long term effort to try and educate them to dispel the preconception, to dispel bad information. (Canadian Bankers Association)
Preservation	Stonewalling	Evading public efforts to question bank practices Reinforcing the merits of the industry's identity characteristics	[Banks] try and keep the industry standards high and… [if] one of the banks gets away you bring it back. You are under scrutiny as a group of banks as well as the individual bank. People tend to compare you. (vice-president)
	Collective affirmation	Pursuing strategic uniformity Responding as a collective to regulatory and public pressures	[Dissension] is a rarity in the clubby world of Canadian banking, where executives typically take pains not to have any sort of disagreement — no matter how minor — in the public eye (P. Best, *The Globe and Mail*, April 10, 2007)

> I don't want to make too much of this, but I'll just caution that the CFIB survey, by its very nature, is a narrow slice. It's a self-reporting mail-in and in a sense perhaps is directional. I would be cautious about using it as hard, precise statistics. (Standing Committee meeting, November 6, 2003)

As a consequence of their core belief in their ascribed power, the banks were similarly dismissive of requests made by Members of Parliament during a Standing Committee Hearing for credit information broken down for each of Canada's ten provinces. When the banks dismissed this request from the government on the grounds of 'confidentiality,' one Saskatchewan Member of Parliament stated:

> I personally feel quite offended by the fact the banks can't provide statistics at least on a Saskatchewan [i.e. provincial] basis. You may recall that in 1905 Saskatchewan entered Confederation. We are an independent province of this confederation, and we feel a bit insulted. (Standing Committee meeting, May 7, 1998)

From the perspective of their superior expertise, the bankers also dismissed gender discrimination by reframing it as a non-issue. In response to data presented by the SME industry association that suggested evidence of gender discrimination, the industry asserted that it found *no* evidence of discrimination against women entrepreneurs in the Canadian banking industry. Bank executives reported that

> there is no evidence whatsoever in the data we've collected either from the account managers or from the SMEs that there is any discrimination as far as lending approvals are concerned as it relates to demographics or any of the hypothesized variables of gender, region, etc. I think there is a very strong database here to be able to make that conclusion. (Standing Committee meeting, October 30, 1997)

Moreover, to recognize the potential for gender discrimination would have violated their core identity characteristic as ethical actors (McKendrick, Jafee, Carroll, & Khessina, 2003; Zuckerman, 1999). Industry identity therefore bound actors to the reproduction of existing core characteristics.

Token attention. Token attention, the second form of rejection, which refers to responses to institutional demands that tend to be minimal and irrelevant, adds support to the work on symbolic compliance as a means of responding to institutional pressures (Dobbin, Sutton, Meyer, & Scott, 1993; Edelman, 1992; Suchman & Edelman, 1996). What distinguishes token attention as a strategy from symbolic compliance in general is its tendency to be unpersuasive among the targeted actors it seeks to appease. For example, in an effort to placate stakeholders urging substantive improvements in credit access and bank services, the banks responded by simply (and somewhat irrelevantly) writing themselves a code of conduct to convey the impression of attending to SME issues. When the banks came under intense pressure to institute dispute resolution processes to assist SMEs with concerns about credit access and poor service, the industry responded by establishing an 'office of the ombudsman' which lacked any credit authority to override individual bank credit decisions. Similarly, in response to pressures to increase access to credit for women entrepreneurs, the banks responded simply by creating token 'woman entrepreneur of the year' awards and funding memberships to women's networking groups rather than by instituting substantive or symbolically compelling changes to their own lending policies or practices. The symbolic response (Edelman & Stryker, 2005; Edelman, Uggen, & Erlanger, 1999) of token attention arose as much from the banks' sincere beliefs in their superior judgement as from the convenience of avoiding changes to their lending parameters or service levels. Thus, SME issues, filtered through the banks' identity characteristics as prudent and powerful actors with superior expertise, were viewed as unimportant or simply erroneous.

Assimilation

The second of three responses to institutional stakeholders was assimilation. Assimilation refers to the selection of actions that allow firms to fit these actions or 'assimilate' them within the industry's existing identity, as opposed to expanding or altering one's own identity to accommodate stakeholder issues. Assimilation took two forms: paternalism and education.

Paternalism. Paternalism refers to well-intentioned patronizing of those industry constituents whom the industry considers vulnerable or ignorant. Viewing almost all stakeholders as unsophisticated, ill-informed, and vulnerable, the identity characteristics of guardianship and ethical conduct prompted the industry to protect the SMEs, partially from themselves, a perception that was also the result of the industry's belief in its own expertise in knowing what was best for SMEs and believing they possessed the ascribed power to act on behalf of others, whether willingly or unwillingly. Using rhetoric such as 'mom and pop operations,' banks pre-selected the products they believed were most suitable for these consumers and normally did not even offer these constituents higher yield, higher risk instruments. The banks were anxious to protect these consumers from their own ignorance, tending to assume, a priori, that all smaller operations were incapable of incurring risk or assessing the risk–return tradeoffs of these instruments.

> Mom and pop are becoming more knowledgeable…but the level of sophistication, knowledge, understanding and all these things is dramatically less than the pension funds investors, who are very knowledgeable investors. (senior vice-president & chief risk officer)

While it may be reasonable to assume that smaller investors may be less informed, it did not even occur to industry members to test this assumption or to question its generalizability.

Paternalism is also consistent with ecological theorizing on organizational form identity (Hsu & Hannan, 2005; Pólos, Hannan, & Carroll, 2002) which suggests that clusters of organizations conform to what they believe are the expected features of their identities (Romanelli & Khessina, 2005). As a consequence of their strong sense of guardianship, superior expertise, and ascribed power, interviewees believed that protecting the livelihood of consumers was expected of them as an honored aspect of their mandate. Banks' perceptions of their identity were interpreted as social expectations or social codes (Hsu & Hannan, 2005; Ruef, 2000) that they assimilated within their strategic orientation to stakeholders as paternalistic guardians.

Education. The second form of assimilation was education. Based partially on the industry's intractable belief that constituents tended to be misguided about the SME issues they were raising with the banks, the banks demonstrated a strong propensity to 'educate' their constituents rather than make conciliatory concessions or respond directly to requests for more value-added products and services. For example, in response to SME requests for increased credit, banks responded instead by providing on-line seminars and brochures aimed at improving the SMEs' business knowledge on business plans, emerging technologies, and market trends.

> Small business owners and would-be small business owners can access a myriad of information from Canada's banks. The banks and the CBA have produced more than 125 different educational tools for

> small and medium-sized business owners on many issues, including export services, market trends, financing sources, business planning, and marketing. (Standing Committee meeting, May 7, 1998)

It was of little importance to banks that SMEs had not requested such education, but instead sought tangible changes to gender bias, account manager turnover, or financing costs. Rather, the banks' own identity as prudent guardians prevented them from considering the SMEs' issues as 'real.' At times, banks' responses therefore seemed both irrational and irrelevant to stakeholders. For example, in response to regulatory and SME association requests for more information on the details and scope of current bank services to SMEs, the banks acknowledged that 'one of the things we are hearing about more often is the importance of access to information' and then somewhat irrelevantly observed that they (the banks) not only 'have a wealth of information that small business owners and would-be entrepreneurs can access' but that they 'have been successful in helping to educate young people about the importance of good money management skills. Our program [in post-secondary institutions] has been very well received in communities across Canada' (CBA representative, Standing Committee meeting, June 6, 2000).

The banking industry also took on the role of educator in its dealings with government (the House of Commons committees on banking, for example), attempting to enlighten the government and to correct what it perceived as the government's sizeable ignorance about the financial services sector. Rather than attempting to change itself in response to stakeholder pressures, the House of Commons public hearings revealed that the industry sought to change its constituents by educating them. Education as a response was perceived by industry members as highly purposive and meaningful within the framing of how the industry defined itself as a superior expert, notwithstanding the fact that stakeholders tended to view these responses as somewhat condescending.

Preservation

The third industry response, preservation, refers to non-confrontational efforts of industry members to protect and sustain the industry collective and its identity. Firms embedded in industries with strong identities have a vested interest in maintaining the status quo because the current identity contributes to an elevated sense of efficacy and predictability. Firms in these industries also tend to possess a compelling taken-for-granted (if not always accurate) understanding of what leads to industry effectiveness; such identities reduce uncertainty and are heavily infused with value, further reinforcing the wish to preserve the industry and its identity. At the same time that banks sought to preserve the status quo, the banks also saw no need for active resistance to institutional stakeholders to protect their jurisdictional control over their industry (Marquis & Lounsbury, 2007) because they had confidence in their own power, prudence, and expertise, consequently viewing the concerns of stakeholders as largely misplaced. Accordingly, preservation as a non-confrontational response to institutional and stakeholder pressures took two rather unique forms: *stonewalling* and *collective affirmation.*

Stonewalling. Stonewalling refers to evading or stalling on a stakeholder issue. Pressures from SMEs and regulators triggered a search process among banks for viable non-responses. The two most viable non-responses were stalling on the provision of information (despite pressures on the industry to increase the transparency of its operations) or evading the issue by providing information to stakeholders only on the industry's own terms. When the government asked the industry specifically for information on small and medium-sized businesses, industry members provided data only on medium-sized businesses or on business loans in general. For example, the CBA's response to the SME demand for increased access to financing for small and medium-size business was that 'the majority of *medium size* businesses in Canada do not view access to financing as a major concern or barrier to growth' (Canadian Bankers Association, 2003, p. ii, emphasis added).

The banking industry further preserved its identity by stonewalling on specific SME issues that raised questions about the industry's business practices. For example, the issue of high account manager turnover and its demonstrated negative effect on SME loan approval rates caused the CFIB and House of Commons to exert considerable pressures on banks to disclose their manager turnover rates and the means by which they were addressing the problem. The banks avoided responding to this issue by claiming, rather unbelievably to government representatives, that the industry was not able to speak about human resource issues concerning individual bank employees.

Collective affirmation. Collective affirmation as a second form of preservation is partially the product of actors' tendencies to compare themselves and each other with accepted identity roles that represent categorical imperatives for how to behave. Theory on role performance indicates that these imperatives tend to reinforce stasis and inhibit change (Zuckerman, 1999). Prudence as a core behavioral imperative of the industry's identity was at odds with SME and governmental pressures on banks to approve a wider range of loans and offer higher-risk investment opportunities to SMEs, whom the banks viewed as ill-informed clients. Identity characteristics as self-reproducing role structures (White, 1981; Zuckerman, 1999) therefore discouraged identity violations (McKendrick et al., 2003), such as perceived compromises to their identity as guardians of naive clients.

Collective affirmation also involved an instrumental emphasis on sustaining strategic uniformity. Industry members recognized that it was not necessarily cost effective to distinguish themselves from one another in response to SME pressures. For example, if one bank decreased service charges, the others would have to follow suit to remain competitive, raising the overall cost of doing business for all industry members. Banks expressed similar views for the pricing of their products. For example, one bank executive noted:

> I don't think [the banks] want to get into the game of differentiating themselves with money, because then it starts to become an expensive thing for them, given the size of the employee base. (vice-president)

Therefore, in response to stakeholder demands, the industry's response was a diffused reconfirmation of the value of uniformity.

> There is no competitive advantage to being a front runner, or…even if you do the right thing, if the rest of the industry doesn't it is sort of pointless. (vice-president & senior risk officer)

Preservation through lack of differentiation permitted the group to maintain its status as a cohesive group with all the accompanying benefits that entailed, including lower costs and greater in-group trust and cooperation. 'I think we kind of protect ourselves. We never [badmouth] the other banks because we know that [industry reputation] is fragile' (vice-president).

Collective industry responses were serviceable in other ways. For example, despite requests from regulators for information on SME lending amounts of individual banks, the industry responded collectively, only conceding information on an aggregate basis for the industry as a whole. As a form of protection, the banks also relied on their association as a collective entity to be the 'face' of the industry.

> One of the roles of the CBA is to be the face of the industry…when anything [negative] is going to cling, it is going to cling on us…They [individual banks] want to hide behind our skirts…so that reputation gets enhanced. (CBA representative)

Consistent with public interest theorists who suggest that business works collectively as a common social class to secure its own interests, collective-level preservation not only increased the group's oligopoly power but also contributed to an elevated sense of collective self-worth, thereby reducing further the industry's perception that it needed to take account of the opinions of external stakeholders. Industry members' remarkable similarity in their response to SME pressures was born not out of submission to common coercive, mimetic, or normative pressures from stakeholders (DiMaggio & Powell, 1983) but out of the unanimity and immutability of their oligopolistic industry identity. We now conclude our analysis by identifying the outcomes of the industry's strategic responses.

Outcomes of a strong industry identity within oligopolistic industries

Performance advantages and cognitive myopia

> Canada remains the only industrialized country in the world that has survived the last two years of financial and economic stress without a single bank failure. (Perry, 2010)

The literature on cognition suggests that strong cognitive coherence across actors tends to induce cognitive myopia (Zajac & Bazerman, 1991). In this study, the presence of a strong industry identity in an oligopolistic setting acted as a powerful perceptual filter that selectively omitted a range of potential responses to institutional pressures. The industry's strong belief in its superior expertise, prudence, and ascribed power precluded industry consideration of a range of alternative strategic responses to institutional pressures, including more common responses to stakeholder pressures, such as compliance, negotiation, bargaining, or vigorous resistance. Yet surprisingly, and contrary to predictions from theory on cognitive myopia (Tripsas & Gavetti, 2000), which emphasizes the performance hazards of selective cognitive attention to the environment, firms in the present study exhibited sustained superior performance. In ranking Canada first on its list of 'best countries for business,' *Forbes* observed that 'Canada's major banks emerged from the financial crisis of 2008-09 among the strongest in the world' (*Forbes*, 2011). Thus we asked: how does an oligopoly with a strong industry identity affect performance in the Canadian banking industry?

The industry's oligopolistic structure and strong industry identity provided a range of performance advantages. First, it helped to protect the banking firms from failing by ensuring that each individual firm in the industry conformed to the industry's high standards and its shared emphasis on prudence. In terms of SMEs, individual banks were not forced to make concessions to take on high-risk SMEs, and moderate loan approval rates could be applied by the entire industry. Second, an oligopolistic industry structure helped to stabilize market power across individual banks. This reduced uncertainty with respect to market positioning and allowed firms to devote more attention to firm strategy. Third, the banks' economic power gave them a greater voice within the economy to advocate for advantageous regulations and regulatory concessions.

Fourth, a strong industry identity augmented the economic advantages of an oligopolistic industry structure. For example, the inter-organizational interconnections fostered by the

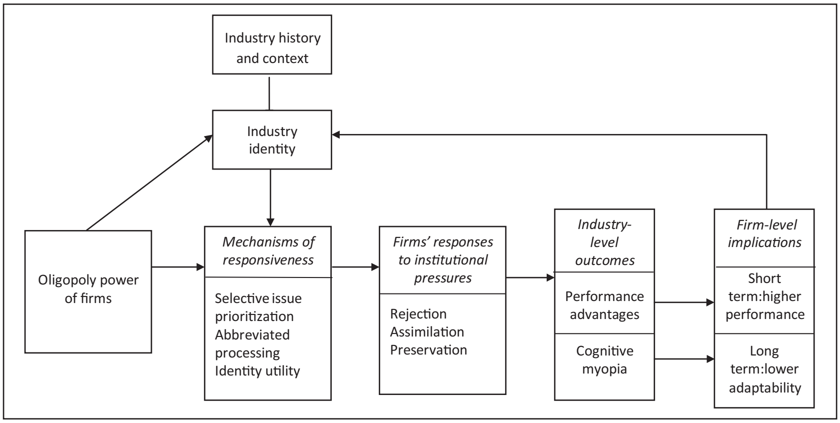

Figure 1. Oligopolistic Industry Identity: Influence on Institutional Responses and Performance.

industry association magnified entry barriers (Porter, 1980) and reduced competitive intensity in the industry. This was evident, for example, in the lack of differentiation around pricing of loans and account services extended to SMEs, and the similar range of products available to SMEs. Industry homogeneity reduced transaction costs in transmitting information across the industry and interpreting rivals' behavior. A lower level of oligopolistic competition also reinforced an intra-industry mentality of mutual forbearance (Edwards, 1955), further increasing the opportunity for economic rents in the industry as a whole. Finally, a strong industry identity allowed the firms to present a united front to constituents and deflect criticism away from any one member of the group. This in turn helped to safeguard the industry's overall reputation, contributing positively to its performance. As Figure 1 shows, superior performance in turn reciprocally influenced the perceived viability of the industry's identity because success tends to reinforce the perceived effectiveness of organizational or industry characteristics (Audia, Locke, & Smith, 2000).

Implications for performance. Notwithstanding the foregoing reasons for the positive influence of oligopolistic structure and a strong industry identity on industry performance, oligopolies also tend to be deleterious to free market economies because they inflate pricing and encourage anticompetitive practices. In the long run, oligopolies with strong industry identities are likely to be maladaptive because they are resistant to change in response to environmental threats and pressures. Given the relative economic success of the banking industry in Canada, however, our conclusions are more circumspect. Our study suggests that the economic advantages of oligopolies depend on the nature of the identity characteristics themselves. Insofar as an industry is almost obsessively adherent to its identity as an ethical and prudent guardian of vulnerable citizens, for example, it is an empirical question whether strong industry identities are indeed detrimental *in general* to the financial health of economies. However, we conclude that, because oligopolies create efficiencies, economies of scale, and lower transaction costs among industry members, they may be highly effective in the short run as a source of economic rents for the industry, if not for the economy as a whole; yet, in the long run, the anticompetitive nature of oligopolies is likely to reduce adaptability as environments experience discontinuous change over time.

Discussion and Conclusions

This study is among the first to examine industry identity and its effects on firms' responses to the institutional environment. The results demonstrate that these effects can be formidable, especially when identity is strongly consensual. The oligopolistic structure of the industry and its strong industry identity created a marked tendency for firms to dismiss significant institutional pressures. These results help to explain the conundrum of organizational indifference to salient, pressing, and high-profile demands from stakeholders for changes to organizational practices. Organizational indifference might be attributable to organizational ignorance, avarice, or misguided goals. However, we found evidence that the explanation of this conundrum may be more nuanced when non-responsiveness is exhibited collectively across a group of firms. Industry identity as both a moderator and outcome of market power not only reinforced the instrumentality of shared norms but provided an unambiguous cynosure or set of criteria for the moral and economic justification of firm strategy in response to institutional pressures. This suggests that a strong sense of identity produces a type of 'moral community' (Ingram & Yue, 2008, p. 291) which 'confers normative and extra-economic meaning on economic action' (Granovetter, 2005, p. 433) that strongly guides firm action. Our research thus provides a partial answer to the puzzle of firm non-responsiveness to institutional pressures where conformity and identity–image alignment would have been predicted.

Oligopoly theory predicts firm strategy solely from market structure: concentration, firm interdependence, and entry barriers. This study therefore contributes new understanding to oligopoly theory, demonstrating how an oligopoly can generate a strong industry identity that profoundly influences firm strategy. It does so by reinforcing the validity of the firms' goals, reducing uncertainty, lowering transaction and coordination costs, and establishing clear normative guidelines for strategic behavior. Future research might explore other oligopolies to reveal variation in their likelihood of generating a strong identity. Industry identities may be stronger in industries approaching perfect or pure oligopoly (cement, steel, aluminum, for example) and weaker in more differentiated, or imperfect, oligopolies (for example, consumer product oligopolies such as soft drinks, cell phones, automobiles, and music). This may be the case because the latter firms are less likely than the former to cohere around a unified vision of what constitutes their central, enduring, and distinctive characteristics as a single industry. International oligopolies might also have weaker industry identities than national oligopolies due to cultural diversity or geographic proximity. Identities that emphasize adversarial advertising traits (the 'Coke–Pepsi wars' or Apple–Samsung's head-to-head differentiation, for example) will also likely have weaker industry identities than those that emphasize cooperation or joint problem-solving. In addition, oligopolistic firms aligned against a common out-group (a regulator or advocacy group, for example) might have stronger industry identities than industries that do not perceive any viable external threat. These identity variations may also help to open the 'black box' of oligopoly behavior by revealing the characteristics and conditions that facilitate tacit collusion. In other words, the significance of industry identity in oligopolies might be context-specific to industries that possess more significant shared interests and fewer benefits from high levels of competitive differentiation. Extensions to oligopoly theory from the present study could be applied in future research to comparisons across types of oligopoly.

This study also contributes new insights into identity in two ways. First, by examining identity at a new level of analysis, it adds novel understanding to identity as a source of resistance to stakeholder expectations and the conditions under which identity characteristics endure even when changes to identity might minimize negative stakeholder assessments. Due to firms' confidence in the relevance and value of their identity characteristics, the firms in this study framed institutional pressures for change as more trifling than they really were, which in turn justified and explained their sustained misalignment with stakeholder demands. Our findings therefore contradict the argument in the identity literature that 'organizational identity is best understood as contested and negotiated through iterative interactions between managers and stakeholders' (Scott & Lane, 2000, p. 44). While this is often true, when firms are members of industries with strong identities the opposite may be the case. Firms with a strong sense of shared identity may feel less compelled to negotiate with stakeholders and become more oriented toward one another than to their stakeholders as a strategic point of reference for selecting appropriate strategies. In addition, this study contributes to the conversation on identity as a conceptual basis for the identification of organizational forms (Hsu & Hannan, 2005). Extended to the industry level of analysis, a strong industry identity expresses, implicitly or explicitly, what Hsu and Hannan (2005, p. 475) refer to as the social codes that specify the features that an organization, as a member of an industry or other collective, is expected to possess and display. Moving beyond simple legal or product classification definitions of organizational form, Hsu and Hannan (2005) have defined form as 'identity' but from the perspective of the organization's audience (what organizational identity scholars refer to as image or reputation). The present research expands ecologists' conceptualization of forms to allow for the possibility that the form itself may have social codes that define the core features of a form, independent of audience definitions. Omitting industry identity from the definition of form misses a whole set of organizational actions that can result from collective-level motivations.

Third, our introduction of the concept of industry identity has potentially significant performance implications. On the one hand, a strong industry identity has material advantages for the industry's occupants, lowering transaction costs and increasing economic rents. This is consistent with theory at the strategic group level within industries which suggests that a strong group identity fosters information exchange, reduces search costs for solutions to problems, facilitates the development of shared resources, and potentially enhances survival and profitability (Peteraf & Shanley, 1997, p. 179). On the other hand, a strong industry identity narrows attention to environmental demands, increasing cognitive myopia and risks to long-term performance. In industries with strong identities, new information triggered by external changes has to penetrate a dense collective interpretive schema that contains highly revered and trusted cognitive recipes for navigating the strategic environment. Strong industry identities are therefore likely to protract organizational change and potentially threaten performance in the long run in response to discontinuous changes in the environment, particularly when firms in the industry have achieved success in the past (Audia et al., 2000). We conclude that strong industry identities possess significant short-term performance advantages, and equally significant long-run risks to performance as a maladaptive response to discontinuous environmental change.

Fourth, the present research adds new insights to work on competitive groups as cognitive communities. Past research has illustrated that the mental models of rival firms affect whom firms define as important *competitors* (Porac, Thomas, Wilson, Paton, & Kanfer, 1995; Porac et al., 1989; Staber, 2010). Our study extends this research by showing how industry mental models embedded in oligopolies define whom firms view as important *stakeholders* (and stakeholder issues). Interpreting a particular stakeholder pressure for change as trivial in the context of the firms' perceived identity attributes, firms in this study sought the most viable means of inaction. The consequence was three types of response – rejection, assimilation, and preservation – that sustained industry identity at the expense of stakeholder satisfaction, a result that was baffling to both stakeholders and to industry members, who felt misunderstood by the stakeholders they sought to protect. This study thus adds new understanding to one of the root causes of organizations' inertia or resistance to change and why organizations and their stakeholders experience seemingly intractable disagreements with one another, implying the need for further research on this important phenomenon.

Finally, this study is among the first to extend institutional theory to an oligopolistic context and examine the interaction between identity and institutional pressures. When industry identity is strong, institutional pressures to adhere to the norms and values represented by one's competitors may be as palpable as the institutional pressures exerted on firms by those whom the institutional literature categorize as institutional constituents, such as government, consumers, social movements, the media, and social advocacy groups. This suggests that the definition of institutional pressures may need to be broadened to include normative and mimetic pressures imposed by competitive groups with strong collective identities. To date, researchers have not examined competitive strategic groups (Osborne, Stubbart, & Ramaprasad, 2001) as sources of institutional expectations, yet work in this area might help to illuminate the probability or effectiveness of industry-level initiatives, such as industry-level lobbying activities, the capacity of an industry to self-regulate, and the likely success of industry association formation.

The research setting and methodology selected for this study offer some opportunities and limitations. The qualitative nature of the study gave us the opportunity to explore implications of industry identity using rich, descriptive data and we used multiple data sources for triangulation of data to increase validity (Eisenhardt, 1989). This research was conducted with firms in one industry, which limits its generalizability. However, we believe the findings of this study provide opportunities to extend understanding of collective identity in other industries where there are few dominant players (e.g. the energy or telecommunications industry) or in sectors where organizations cohere around a strong social mandate (e.g. the strong identities associated with a social movement). Another limitation is the exclusion of the small percentage of firms in the Canadian banking industry beyond the big five banks. Thus we cannot claim that the big five banks are fully representative of the entire industry. At the same time, we selected this industry for the capacity of its central players to represent the vast majority of economic activity in this sector. For example, JD Power customer satisfaction ratings of the Canadian banking industry as a whole only rank the 'big five' banks (JDPower.com, 2011). The smaller number of excluded banks also differ in form, in that they make up regional banks that focus on a particular geographic region and monoline product or niche providers. Future research might extend insights into industry identity by looking at alternative organizational forms that operate at the periphery of industries with strong identities and how their more marginalized position affects their own identity and subsequent strategies as potentially alienated actors or out-groups in a sector.

The results of our research revealed that a strong industry identity can affect firms' responses to significant institutional pressures in ways that are not predicted by theories of institutional conformity and identity–image alignment at the organization level of analysis. This research was motivated by the conundrum of noncompliance under salient institutional pressures, and few studies have looked at firms that are successfully dismissive of them. We suspect that strongly held industry identity characteristics bring a normative fidelity to industry actions that firms find difficult to resist. Therefore, we hope future research on industry identities will reveal further insights into organizations' motivation for perpetuating industry identity characteristics and how industry identity characteristics affect organizations' responses to stakeholders.

Funding

We gratefully acknowledge the financial support received from the Schulich School of Business National Research Program in Financial Services and Public Policy.

References

Albert, S., & Whetten, D. A. (1985). Organizational identity. In B. M. Staw & L. L. Cummings (Eds.), *Research in Organizational Behavior* (Vol. 7, pp. 263–295). Greenwich, CT: JAI Press.

Allen, R. F. (1983). Efficiency, market power, and profitability in American manufacturing. *Southern Economic Journal*, *49*, 933–941.

Audia, P. G., Locke, E. A., & Smith, K. G. (2000). The paradox of success: An archival and a laboratory study of strategic persistence following radical environmental change. *Academy of Management Journal*, *43*, 837–853.

Baumol, W. J. (1958). On the theory of oligopoly. *Econometrica*, August, 187–198.

Baumol, W. J. (1967). *Business behavior, volume and growth*. New York: Harcourt, Brace & World.

Business Week (2010). Bubble or not? *Business Week*, pp. 64–67.

Canadian Bankers Association (2003). Competition in the Canadian small and medium-sized business financing market: Submission by the Canadian Bankers Association to the Department of Financing (pp. 1–15): Canadian Bankers Association.

Canadian Bankers Association (2007a). Bank milestones. Retrieved from http://www.cba.ca/en/ViewDocument.asp?fl=2&sl=109&tl=&docid=225.

Canadian Bankers Association (2007b). Frequently asked questions. Retrieved from http://www.cba.ca/en/toolbar/faq.asp.

Canadian Bankers Association (2007c). Legislation/Regulation. Retrieved from http://www.cba.ca/en/section.asp?fl=4&sl=269&tl=&docid=.

Canadian Bankers Association (2008). Quick facts. Retrieved from http://cba.ca/en/viewdocument.asp?fl=3&sl=174&docid=413&pg=1.

Canadian Bankers Association (2009). Submission to the House of Commons Standing Committee on Finance: 2009 Pre-Budget Consultations (pp. 1–6). Toronto: Canadian Bankers Association.

Canadian Bankers Association (2010). Banks and the economy (pp. 2). Toronto: Canadian Bankers Association.

Canadian Federation of Independent Business (2007). About us. Retrieved from http://www.cfib-fcei.ca/english/about_us.html.

Demsetz, H. (1973). Industry structure, market rivalry, and public policy. *Journal of Law and Economics*, April, 109.

Department of Finance. (2005). The Canadian financial services sector: June 2005. Retrieved from http://www.fin.gc.ca/toc/2005/fact-cfss-eng.asp.

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, *48*, 147–160.

Dobbin, F., Sutton, J. R., Meyer, J. W., & Scott, W. (1993). Equal opportunity law and the construction of internal labor markets. *American Journal of Sociology*, *99*, 396–427.

Dutton, J. E., & Dukerich, J. M. (1991). Keeping an eye on the mirror: Image and identity in organizational adaptation. *Academy of Management Journal*, *34*, 517–554.

Dutton, J. E., Dukerich, J. M., & Harquail, C. V. (1994). Organizational images and member identification. *Administrative Science Quarterly*, *39*, 239–263.

Edelman, L. B. (1992). Legal ambiguity and symbolic structures: Organizational mediation of civil rights law. *American Sociological Review*, *97*, 1531–1576.

Edelman, L. B., & Stryker, R. (2005). A sociological approach to law and the economy. In N. J. Smelser & R. Swedberg (Eds.), *The handbook of economic sociology*. Princeton, NJ: Princeton University Press.

Edelman, L. B., Uggen, C., & Erlanger, H. S. (1999). The endogeneity of legal regulation: Grievance procedures as rational myth. *American Journal of Sociology*, *105*, 406–454.

Edwards, C. D. (1955). Conglomerate bigness as a source of power. In National Bureau Committee for Economic Research (Ed.), Business concentration and price policy: A conference of the universities (pp. 331–359). Princeton, NJ: Princeton University Press.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*, 532–550.

Elsbach, K. D., & Kramer, R. M. (1996). Members' responses to organizational identity threats: Encountering and countering *Business Week* rankings. *Administrative Science Quarterly*, *41*, 442–476.

Equinox (2002). *Gaps in SME financing: An analytical framework* (pp. 1–80). Ottawa, Ontario: Prepared for Small Business Policy Branch, Industry Canada by Equinox Management Consultants Ltd.

Fershtam, C., & Muller, E. (1986). Capital investments and price agreements in semi-collusive markets. *RAND Journal of Economics*, *17*, 214–226.

Forbes (2011). Best countries for business (October 2011). Retrieved from http://www.forbes.com/lists/2011/6/best-countries-11_Canada_CHI019.html.

Gioia, D. A., Schultz, M., & Corley, K. G. (2000). Organizational identity, image, and adaptive instability. *Academy of Management Review*, *25*, 63–81.

Glynn, M. A. (2008). Beyond constraint: How institutions enable identities. In R. Greenwood, C. Oliver, K. Sahlin, & R. Suddaby (Eds.), *The Sage handbook of organizational institutionalism* (pp. 413–430). Thousand Oaks, CA: SAGE Publications Inc.

Granovetter, M. (2005). Business groups and social organization. In N. Smelser & R. Swedberg (Eds.), *Handbook of economic sociology* (2nd Edition, pp. 429–450). Princeton, NJ: Princeton University Press and Russell Sage Foundation.

House of Commons (2008). *Committees: Practical guide*. Ottawa, Ontario: House of Commons.

Hsu, G., & Hannan, M. T. (2005). Identities, genres, and organizational forms. *Organization Science*, *5*, 474–490.

Huff, A. S. (1982). Industry influences on strategy formulation. *Strategic Management Journal*, *3*, 119–130.

Illia, L., & Lurati, F. (2006). Stakeholder perspectives on organizational identity: Searching for a relationship approach. *Corporate Reputation Review*, *8*, 293–304.

Industry Canada (2005). *Key small business financing statistics* (pp. 1–31): Industry Canada.

Ingram, P., & Yue, L. Q. (2008). Structure, affect and identity as bases of organizational competition and cooperation. *Academy of Management Annals*, *2*(1), 275–303.

JDPower.com (2011). 2011 Canadian retail banking customer satisfaction survey. Retrieved from http://www.jdpower.com/ca/finance/ratings/canadian-retail-banking-ratings/big-five-banks/.

Lum, B. (2007). Banks' last frontier: Insurance. *The Globe and Mail Report on Business Magazine*.

MacKay Task Force Report (1998). *Competition, competitiveness and the public interest: Background paper #1* (pp. 1–192). Task Force on the Future of the Canadian Financial Services Sector.

Marquis, C., & Lounsbury, M. (2007). Vive la resistance: Competing logics and the consolidation of US community banking. *Academy of Management Journal*, *50*, 799–820.

McKendrick, D. G., Jafee, J., Carroll, G. R., & Khessina, O. M. (2003). In the bud? Disk array producers as a (possibly) emergent organizational form. *Administrative Science Quarterly*, *48*, 60–93.

Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, *83*, 340–363.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook* (2nd Edition). Thousand Oaks, CA: SAGE Publications.

Office of the Superintendent of Financial Institutions (2010). Financial data – banks. Retrieved from http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=554.

Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, *16*, 145–179.

Osborne, J. D., Stubbart, C. I., & Ramaprasad, A. (2001). Strategic groups and competitive enactment: A study of dynamic relationships between mental models and performance. *Strategic Management Journal*, *22*, 435–454.

Perry, M. J. (2010). Due North: Canada's marvellous banking and mortgage system. *Journal of the American Enterprise Institute*.

Peteraf, M., & Shanley, M. (1997). Getting to know you: A theory of strategic group identity. *Strategic Management Journal*, *18*, 165–186.

Phillips, M. E. (1994). Industry mindsets: Exploring the cultures of two macro-organizational settings. *Organization Science*, *5*, 384–402.

Pólos, L., Hannan, M. T., & Carroll, G. R. (2002). Foundations of a theory of social forms. *Industrial and Corporate Change*, *11*(1).

Porac, J. F., Thomas, H., Wilson, F., Paton, D., & Kanfer, A. (1995). Rivalry and the industry model of Scottish knitwear producers. *Administrative Science Quarterly*, *40*, 203–228.

Porac, J. F., Thomas, H., & Baden-Fuller, C. (1989). Competitive groups as cognitive communities: The case of Scottish knitwear manufacturers. *Journal of Management Studies*, *26*, 397–416.

Porter, M. E. (1980). *Competitive strategy*. New York: Free Press.

Randel, A. E., Jaussi, K. S., & Standifird, S. S. (2009). Organizational responses to negative evaluation by external stakeholders: The role of organizational identity characteristics in organizational response formulation. *Business & Society*, *48*, 438–466.

Ravasi, D., & Schultz, M. (2006). Responding to organizational identity threats: Exploring the role of organizational culture. *Academy of Management Journal*, *49*, 433–458.

Romanelli, E., & Khessina, O. M. (2005). Regional industrial identity: Cluster configurations and economic development. *Organization Science*, *16*, 344–358.

Rubin, H. J., & Rubin, I. S. (1995). *Qualitative interviewing: The art of hearing data*. Thousand Oaks, CA: SAGE Publications.

Ruef, M. (2000). The emergence of organizational forms: A commuinity ecology approach. *American Journal of Sociology*, *106*, 658–714.

Schmalensee, R. (1987). Competitive advantage and collusive optima. *International Journal of Industrial Organization*, *5*, 351–367.

Scott, S., & Lane, V. R. (2000). A stakeholder approach to organizational identity. *Academy of Management Review*, *25*, 43–62.

Scott, W. R. (1998). *Organizations: Rational, natural and open systems* (4th Edition). Upper Saddle River, NJ: Prentice Hall.

Scott, W. R. (2000). *Institutions and organization*. Thousand Oaks, CA: SAGE Publications.

Short, C. M. (1932). The present practice of Canadian Banking: An outline of its origin and history, and some recent improvements in the system. *Barron's* (1921–1942), *12*(26), 10.

Spender, J. C. (1989). *Industry recipes*. Cambridge, MA: Basil Blackwell.

Staber, U. (2010). Imitation without interaction: How firms identify with clusters. *Organization Studies*, *31*(2), 53–174.

Steele, C. M., Spence, S. J., & Aronson, J. (2002). Contending with group image: The pyschology of stereotype and social identity threat. *Advances in Experimental Social Psychology*, *34*, 379–440.

Stigler, G. (1964). A theory of oligopoly. *Journal of Political Economy*, *72*, 44–61.

Suchman, M. C., & Edelman, L. B. (1996). Legal rational myths: The new institutionalism and the law and society tradition. *Law & Society Inquiry*, 21, 903–966.

TNS Canadian Facts (2004). *Global reputation study: Detailed findings for Canada*. Toronto, Ontario: TNS Canadian Facts.

Tripsas, M., & Gavetti, G. (2000). Capabilities, cognition and inertia: Evidence from digital imaging. *Strategic Management Journal*, *21*, 1147–1161.

Whetten, D. A. (1997). Part II: Where do reputations come from? Theory development and the study of corporate reputation. *Corporate Reputation Review*, *1*(1), 25–34.

Whetten, D. A. (2006). Albert and Whetten revisited: Strengthening the concept of organizational identity. *Journal of Management Inquiry*, *15*, 219–234.

Whetten, D. A., & Mackey, A. (2002). A social actor conception of organizational identity and its implications for the study of organizational reputation. *Business and Society*, *41*, 393–414.

White H. C. (Ed.) (1981). *Production markets as induced role structure*. San Francisco: Jossey Bass.

Zajac, E. J., & Bazerman, M. H. (1991). Blind spots in industry and competitor analysis: Implications of interfirm (mis)perceptions for strategic decisions. *Academy of Management Review*, *16*, 37.

Zuckerman, E. W. (1999). The categorical imperative: Securities analysts and the illegitimacy discount. *American Journal of Sociology*, *104*, 1398–1438.

Author biographies

Rumina Dhalla is Assistant Professor, organization studies and sustainable commerce, in the Department of Business, College of Management and Economics, at University of Guelph, Canada. She received her PhD from Schulich School of Business, York University, Canada. Her research focuses on organizational identity and reputation and their influence on organizational strategies, and corporate responsibility in fragile states. She is the recipient of major grants from Social Sciences and Humanities Research Council for Canada for sustainability related initiatives. She has also accumulated over 20 years of industry experience, mostly in the Canadian banking industry.

Christine Oliver is the Henry J. Knowles Chair in organizational strategy in the Schulich School of Business at York University, Toronto, Canada. She is interested in institutional processes, poverty alleviation in least developed economies, and research questions that address the interface among institutional theory, poverty, and strategy. She is past Division Chair of the organization and management theory division of the Academy of Management and past editor (1996–2003) of *Administrative Science Quarterly*. In 2009, Christine received the Distinguished Scholar Award from the organization and management theory division of the Academy of Management.