

STAKEHOLDER ENGAGEMENT WHEN INSTITUTIONAL LOGICS DIFFER: INSIGHTS FROM SUSTAINABLE INNOVATION

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Purpose: Firms engage with external stakeholders to innovate, among other reasons. These collaborations are particularly challenging when the organizations' institutional logics differ – a common problem in the context studied here, sustainability-oriented innovation. This study examines the tensions that arise and the strategies the parties use to manage them.

Design/methodology/approach: A multiple-case study of eight dyads of businesses and other organisations (a mix of nonprofits and for-profits) for the purposes of sustainability-oriented innovation included 54 interviews as well as observation and documentary sources.

Findings: Tensions due to contrasting institutional logics occur not just between firms and nonprofits, as described in prior research, but also between for-profit partners, due to differences in the way firms integrate sustainability and in how nonprofits balance mission with fundraising. Responses to these tensions include not just the separation and synthesis options established in the paradox literature but also an intermediate option we term 'bounded synthesis'. This involves teams from each organisation working together, bounded spatially and temporally from their host organisations, under a collaboration shaped by what we term an 'engagement logic': a logic for the partnership derived from commonalities between the actors' separate logics and informed by partnership objectives.

Research implications: These findings enrich the paradox literature on how firms and partnerships cope with different world-views. The rich array of inter-partner tensions we observed goes beyond Sharma and Bansal's (2017) 'commercial-social paradox' which follows the market-versus-public-good dichotomy. The managerial response to these tensions is also more nuanced than previously described. Engagement logic, in particular, is a new construct which brings together prior concepts of 'interaction logics' in the business networks/alliances literature (Bengtsson & Kock, 2000; Das & Teng, 2000) and 'sensemaking platforms' in the cross-sector partnership literature (Selsky & Parker, 2010).

Practical implications: These insights into how organizations manage tensions with their partners have value not just for sustainability-oriented innovation but also in other contexts—such as open innovation and multi-national or multi-channel contexts—where inter-organizational partnerships, collaborations and alliances are increasingly adopted.

Originality/value: Recent research has predominantly studied hybrid logics *within* a single organisation. These findings show that similar phenomena occur *between* organisations, and reveal how the firms' engagement design – and the partnership's engagement logic in particular – responds to the resulting tensions. The study thereby contributes to literature on engagement in B2B contexts.

Key words – engagement; institutional logic; innovation; paradox; sustainability

Paper type – Empirical

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