

WHY FOLLOW RULES WHEN YOU CAN AVOID THEM?: THEORIZING CORPORATE SOCIAL AVOIDANCE

SUMMARY

Firms do not only comply with rules or break rules; they also avoid them. Taking stock of several orienting concepts of the business and society field, we argue the field currently lacks a concept to sufficiently build theory around why and when firms may *avoid* rules imposed on them in their institutional environment, and how the design of rules will encourage compliance, noncompliance, or avoidance. We introduce the construct of Corporate Social Avoidance (CSA), justifying it as encapsulating several varieties of behavior that existing theory does not recognize or integrate. Giving an overview of various institutional-environmental conditions that favor CSA, we emphasize CSA as a crucial input into the formulation of rules that seek to foster prosocial corporate behavior. We also present a moral-philosophical argument in favor of construing the constructs of CSA, corporate social responsibility (CSR), and corporate social *ir*responsibility (CSI) as distinctive moral evaluations that differ from all-things-considered moral conclusions about the deontic status of corporate behavior or the justice of rules themselves.

Keywords: corporate social responsibility, corporate social irresponsibility, business and society, nonmarket strategy, institutional theory

Rules are the bedrock concept anchoring many prevailing theories of institutional ordering (Brennan & Buchanan, 1985; North, 1990; Ostrom, 1990), resting on the assumption that “many observed patterns of interaction are based on a common understanding” that certain actions “are proscribed or required,” and likely to be met with institutional sanctions or other responses if such proscriptions or requirements are flouted (Crawford & Ostrom, 1995, p. 583; also, Furniss, 1926). The ‘institutions as rules’ perspective is crucial for addressing one of the

grand challenges of our time, which concerns what society may permit, tolerate, or otherwise forbid of a corporation—what is known as the ‘social control’ of corporations (Piazza et al., 2024; Whittington & Yakis-Douglas, 2020). Once considered a potential unifying framework for the entire business and society field (Jones, 1983), *social control*, and its emphasis on understanding how to prosocially curb, direct, or channel corporate behavior through both formal and informal means (Berle, 1968; Clark, 1926; Stone, 1975), has recently been revived as a framework for positioning corporate social responsibility (CSR) in relation to other business and society constructs (Caulfield & Lynn, 2024; Schrempf-Stirling et al., 2022).

In this paper, we intervene in this nascent research to build theory about generic corporate responses to efforts by stakeholders or larger society to exert control (i.e., responses to rules), as a species of broader corporate strategic responses to “institutional pressures toward conformity” (Oliver, 1991). We recast many of the constructs that have emerged to conceptualize the interpenetration of business and society—in particular, forms of CSR, corporate social *ir*responsibility (CSI), and corporate political activity (CPA)—in terms of their interaction with the institutional environment, i.e., the formal and informal rules to which firms are subject. We re-construct each construct in terms of different *varieties of compliance*, in a new taxonomy we build which illustrates the varied sincere (and insincere) ways firms interact with rules (See Table 1).

[[Insert Table 1 About Here]]

We classify two of these responses as “avoidance” behaviors. *Guileful compliance* involves satisfying the technical requirements of rules while subverting their underlying purposes—for example, structuring disclosures to formally comply with transparency mandates while obscuring the information regulators intended to access. *Exit* involves structurally repositioning the firm so that rules no longer apply—for example, corporate tax inversions or divesting regulated assets to less scrutinized entities. Neither displays concern for fulfilling responsibilities as outlined by rules, nor a complete disregard for the controls imposed upon the

corporation. Rather, what we integrate under the banner of Corporate Social Avoidance (CSA) involves a set of tactics to avoid control mechanisms' successful actualization of their goals through formally legitimate means. It works within the technical boundaries of the rules, but in contravention of their intended purposes (or 'against their spirit') (cf. Mahoney & Thelen, 2010, p. 24). While existing constructs of 'decoupling' and '-washing' capture some avoidant behaviors, they cannot subsume the full range of CSA tactics—most notably, exit requires neither secrecy nor image manipulation, and buffering strategies that reduce a firm's visibility to avoid scrutiny extend beyond what either concept covers (see Figure 1).

[[Insert Figure 1 About Here]]

To illustrate CSA, we draw on the divestiture of polluting assets in the oil and gas sector as an overarching illustration. As regulatory and stakeholder pressures around emissions have intensified, major oil and gas firms—publicly committed to net-zero targets—have increasingly divested stakes in environmentally polluting assets to entities with less stringent environmental commitments. Such divestitures represent one strategic response among a broader menu of options available to oil majors navigating the energy transition (Halttunen et al., 2023); but research suggests these divestitures yield zero aggregate environmental benefit (Duchin et al., 2025). The firm reduces its measured footprint, but only by increasing another's; here, the firm genuinely improves its metrics while societal-level aggregate emissions remain unchanged (Gözlügöl & Ringe, 2022). This pattern exemplifies CSA, combining guileful compliance with exit: through structural repositioning (divesting polluting operations), the firm achieves technical compliance with formal rules, while undermining their spirit (actual aggregate emissions reduction), and simultaneously pacifies informal stakeholder expectations without substantive change (satisfying investor demands for decarbonization progress, improved ESG ratings, and demonstrating apparent progress toward net-zero pledges). As a form of exit, divestiture ensures that polluting operations no longer fall within the rules' domain(s).

Our primary contribution is the introduction and justification of CSA as a category of corporate responses, which can stand alongside other business-and-society constructs (CSR, CSI, CPA, and traditional compliance). We also offer two others. First, we offer a novel appraisal of the normative-ethical complexities revealed at the intersection of firms' responses to the rules, on the one hand, and business ethical judgements, on the other. In particular, we argue that classifying a behavior as CSA (or, for that matter, as CSR or CSI) describes the firm's relationship to the rules—compliance, avoidance, or violation—without thereby settling whether that behavior is ultimately justified or unjustified. Second, we emphasize ways in which the potential of firms' turn toward avoidant behaviors is a crucial input into the calculus of rule design and rule propagation to control corporate behavior. Indeed, CSA demonstrates a particular way in which well-intentioned efforts to strengthen rules that regulate and direct more prosocial firm behavior can have perverse consequences.

By paying due attention to CSA as a distinct theoretical construct, we can better understand how corporations engage in a sophisticated interplay of rule compliance, noncompliance, and avoidance. And, indeed, once the analytical category of CSA is enlightened, so is that of conceptions of CSR and CSI. Recognizing CSA for what it is—a technical compliance with the rules but a flouting of the rules' spirit or normative purpose—entails that firms representing themselves as engaged in traditional, good-faith compliance must explicitly understand the normative purposes of the rules to which they are subject. That is, rules are not just something to be 'coped with' or 'navigated' in strategy, but rather require a normative reckoning: they are things to be potentially respected and understood as performing a social function that may be valuable. They can only be complied with and respected if we form some conception of their normative purpose. Thus, as a result of making theoretical room for CSA, society can demand more of firms that purport to adopt the social responsibility orientation we wish them to; and can be better equipped to study and craft rules and institutions to hold firms to their promises and our shared social goals.

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Table 1. Strategic Responses to Rules Mapped to Business-and-Society Constructs

Response Type	Oliver (1991) Sub-type	Strategic Responses to Formal Rules	Strategic Responses to Informal Rules (Stakeholder Expectations)	Construct
Non-guileful compliance	Comply-type	Following the letter and spirit of formal rules in good faith	Genuinely meeting stakeholder expectations in good faith	Traditional Compliance (e.g., Preston & Post, 1975)
	Balance/Bargain-type	Good-faith navigation of conflicting formal rules	Good-faith balancing of—or bargaining/engagement around—conflicting stakeholder expectations	Modern CSR (e.g., Scherer & Palazzo, 2007; Frederick, 1994)
Guileful compliance	Pacify-type	Bare minimum technical compliance with formal rules while undermining their spirit, avoiding substantive adoption	Pacification of stakeholder expectations without substantive change (e.g., social media management)	CSA (new construct)
	Buffer/Conceal-type	Reducing exposure to regulatory scrutiny to avoid discretionary regulator action	Reducing exposure to stakeholder scrutiny to avoid discretionary stakeholder action	
Exit	Escape-type	Escape the domain of application of rules; e.g., structural repositioning so formal rules no longer apply	“Exit” or abandon a stakeholder group—i.e., structural repositioning so informal rules/stakeholder expectations no longer apply	
Beyond compliance	Not captured by Oliver (1991)	Voluntary action that exceeds formal rules, advancing the spirit of formal rules	Voluntary action that exceeds stakeholder expectations; advancing the spirit of informal rules	Traditional CSR
Non-compliance	Dismiss-type	Violating the formal rules out of indifference or self-interest	Acting contrary to stakeholder expectations out of indifference or self-interest	CSI
	Challenge/Attack-type	Violation of rules on principle, making a “virtue” of their own disobedience	Acting contrary to stakeholder expectations on principle, making a “virtue” of their own disobedience	
Transformation of the requirements of compliance	Co-opt/Influence/Control-Type	Transformative orientation; actively seeking to change formal rules	Actively seeking to alter or amend stakeholder expectations	CPA

Figure 1. Conceptual Space of CSA

