

# The Institutionalization of Digital Compliance

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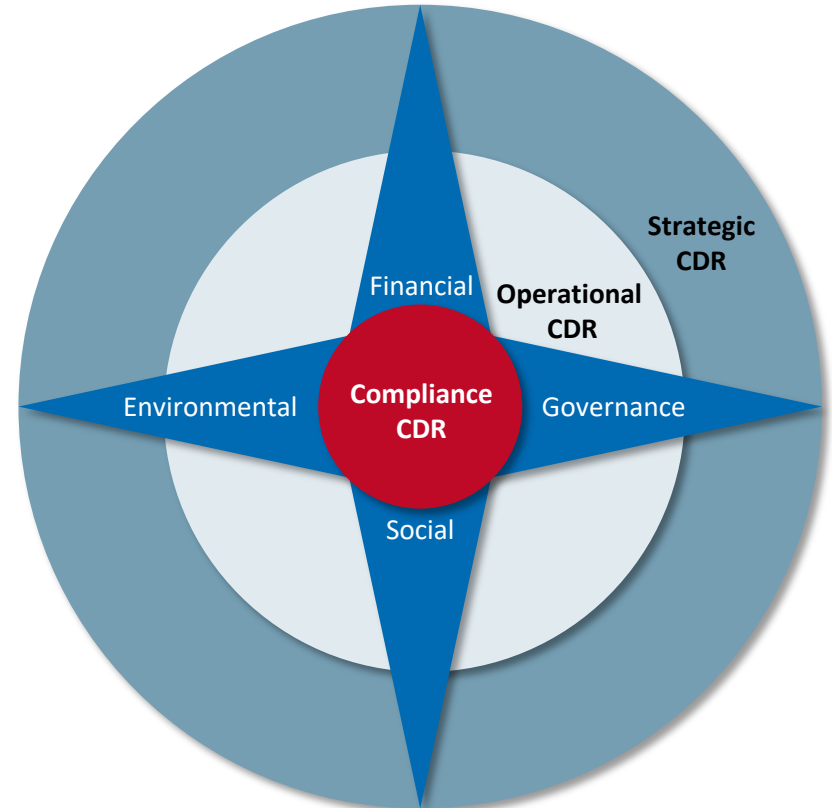
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- Identify, mitigate and prevent negative societal impacts of digital technologies
  - Further support societal concerns leveraging digital technologies
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- Create and maintain competitive advantages
  - Avoid disadvantages
- ➔ Risk management and compliance



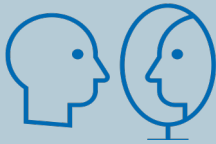
## Institutional Theory<sup>1</sup>



### Coercive Isomorphism

- Stakeholders can exert pressure through formal and informal processes.<sup>2</sup>
- But: Stakeholders might expect digital compliance as a must-be requirement.<sup>3</sup>

➤ Is digital compliance institutionalized and adopted through stakeholder pressure?



### Mimetic Isomorphism

- Organizations imitate competitors when uncertain about their own legitimacy.
- High uncertainty in the context of digital transformation and responsibility.<sup>4</sup>

➤ Is digital compliance institutionalized and adopted through imitation?



### Normative Isomorphism

- Normative systems (incl. values and norms) influence organizations through routines and beliefs.<sup>5</sup>
- Organizations adapt through formal education, professional networks and associations.<sup>6</sup>

➤ Is digital compliance institutionalized and adopted through professionalization?

<sup>1</sup> see DiMaggio/Powell, 1983; <sup>2</sup> see Scott, 2014, p. 59f; <sup>3</sup> see SVRV, 2019, pp. 35f, 41; Kano et al., 1984; <sup>4</sup> see Lobschat et al., 2021; <sup>5</sup> see Larrinaga-González, 2007, p. 157; <sup>6</sup> see Suchman, 1995

## Data

- Data was obtained from an existing dataset from a survey conducted in 2018.
- Includes variables about drivers of economic sustainability, incl. digital transformation, market position, and customer knowledge.
- 162 (mostly large) German companies

## Analysis

- OLS regression without CVs (Model 1)
- OLS regression with CVs (Model 2)
- CVs are level of digitization, level of CSR engagement, firm size, age of employees, and industry



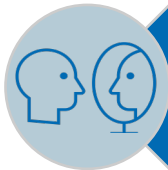
## DV: Digital Compliance

- Investment in data security
- Measures to ensure data protection
- Systematic employee training on data protection and security



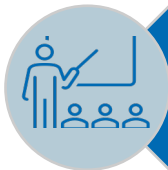
## IV 1: Exchange with customers (*coercive forces*)

- Engagement in intensive and regular exchange with customers



## IV 2: Knowledge about competitors (*mimetic forces*)

- Channels to collect information about competitors
- Knowledge about strongest competitor



## IV 3: Professional information input (*normative forces*)

- Channels to collect information about customers
- Channels to collect information about digital trends

	<b>Model 1</b>	<b>Model 2</b>
<b><i>Coercive Forces</i></b>		
Exchange with Customers	- 0.021	- 0.099
<b><i>Mimetic Forces</i></b>		
Knowledge about Competitors	0.102	0.242*
<b><i>Normative Forces</i></b>		
Professional Information Input	0.388***	0.180*
<b><i>Control Variables</i></b>		
Level of Digitization		0.312***
Level of CSR Engagement		0.080
Firm Size		0.248**
Age of Employees		- 0.006
<b>N</b>	162	152
<b>R<sup>2</sup></b>	0.2040	0.5289
<b>R<sup>2</sup><sub>adjusted</sub></b>	0.1890	0.4317

Entries represent the standardized coefficients ( $\beta$ ), respective statistical significance is indicated by \* for  $p < .05$ , \*\* for  $p < .01$  and \*\*\* for  $p < .001$ . The table does not contain the industry dummies; they still have been considered in Model 2. Intercept is 0 for both models, since all variables have been standardized.

## Findings

1. Customers highly value digital compliance but do not promote it.
2. Companies that observe their competitors adapt to more digital compliance.
3. Companies that receive more professional information adapt to more digital compliance.

## Main Contributions

- Demonstration of relevance of institutional theory to digital compliance
- Identification of mechanisms guiding digital compliance for better practical and theoretical understanding
- Indication that customers regard digital compliance as must-be and exert little direct pressure
- Indication that digital compliance has been standardized through imitation due to uncertainty
- Indication that digital compliance has been professionalized

- Limited scope:
  - Digital compliance is more than just data security and protection.
  - Stakeholders other than customers were excluded but likely play a significant role.
- We merely approximated isomorphic forces.
  - For example: Does exchange generally lead to pressure?
- Findings from mostly large German companies might not be generalizable to all companies.





Thank you very much for your  
attention!

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