

# Organizational Institutionalism and Sociology: A Reflection

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In 1991, DiMaggio and Powell observed:

*Institutional theory* presents a paradox. Institutional analysis is as old as Emile Durkheim's exhortation to study 'social facts as things', yet sufficiently novel to be preceded by *new* in much of the contemporary literature. (1991: 1)

We argue that this paradox is, at least in part, the result of a long-standing tension in sociology between more materialist, interest-driven explanations of behavior and ideational, normative explanations, a tension that has often driven oscillating waves of sociological theorizing. It underlies many classical debates (e.g., between Spencer and Durkheim, Weber and Marx, and even Parsons and Mills), and the waves of theory associated with it have produced a variety of 'neo-isms', including neo-Marxist as well as neo-institutionalist theories. This distinction in explanatory approaches is linked to a more general theoretical problematic for sociologists: how to provide a single, coherent account of both stable, persisting patterns of social behavior, and the breakdown and elimination of what were once deeply-entrenched patterns. In this chapter, we examine the history of these distinctive explanatory approaches in sociology, and locate the

origins of contemporary institutional work on organizations within this context. We also consider how more recent organizational analyses in the tradition of institutional theory have been driven by and reflect this basic tension.

It is not surprising that current institutionalism embodies core theoretical issues within sociology: The roots of this approach to organizational analysis are firmly planted in the discipline. Tracing the intellectual genealogy of institutionalism, Scott's list of contributing scholars (2001) includes Spencer, Sumner, Cooley, Hughes, Marx, Durkheim, Weber, Parsons, Mead, Schutz, Berger, and Luckmann – a veritable pantheon of sociological theorists! Thus, it is almost inevitable that the issues addressed by institutionalists are, in many ways, those of central concern to general sociology. Sociology focuses on understanding the nature of both the material arrangements and the normative systems that characterize collectivities, and the influence of these on action; this is the same agenda that defines and drives institutional analyses of organizations. Given the relationship between the field of sociology as a whole and institutional

studies of organizations, and the claim that most eminent, historical sociologists are forerunners of institutional theory, the time is ripe to revisit the origins and evolution of institutional theory and to ask the question of how far the work of those forebears is truly represented in contemporary scholarship. And this will inevitably lead to the questions, in what ways has institutionalism added to the earlier theoretical insights – and in what ways may the earlier insights have been lost in more contemporary studies?

## THE FORERUNNERS

The starting point for this discussion has to be Dick Scott's (2001) *Institutions and Organizations* as it provides a comprehensive overview of the institutionalist approach to organization theory. While Scott identifies seminal links between this approach and a wide range of theorists, we focus more narrowly on a particular set of the progenitors he discusses, ones we see as contributing most directly to the contemporary formulation of an institutional approach and to the ongoing debates within it. Therefore, we will begin by examining the work of four major theorists as paired sets, Spencer and Durkheim, first, and then Marx and Weber. In our view, the point-counterpoint relations between these theorists offer useful insights into unresolved theoretical problems that are embedded in much of the development of current institutional theory. Within this context, we will consider the four pieces that DiMaggio and Powell (1991) label as the initial formulations of institutional theory, namely, Meyer and Rowan (1977), DiMaggio and Powell (1983), Zucker (1977) and Scott and Meyer (1983).

### *Spencer and Durkheim*

Among the four streams of early sociological theorists that Scott considers as foundational

for institutional theory, the first includes the work of Herbert Spencer. Although Spencer's work is rarely referenced (and probably read even more rarely) by modern day sociologists,<sup>1</sup> he was generally considered to be the preeminent sociologist of his time (Turner and Beeghley 1981). To describe his work as ambitious is to seriously understate the case; Spencer's overarching goal was to discover the fundamental set of principles that defined the functioning of physical, biological and social worlds. Although the scope of this aim is amusingly quaint from a contemporary standpoint, it's worth noting that one of his 'laws of the cosmos,' that increasing size in any social unit is accompanied by increasing differentiation, anticipated a staple finding from much later empirical studies of organizations (Blau, Heydebrand, and Stauffer, 1966; Hall, Clark, Giordano et al., 1967; Pugh, Hickson, Hinings, and Turner, 1969).

In describing the nature of society, Spencer argued that social systems are made up of a series of subsystems, and that each subsystem and its institutionalized structures serve distinctive functions for society as a whole. As Scott (2001: 9) points out, ideas about 'the functional division of social life into spheres or arenas – kinship, stratification, politics, economics, religion, and so on,' have been central to much sociological theorizing. As we discuss in more depth below, this conception of 'institutions' – as core, distinguishing, societal-level patterns (structures) that characterize one area of social life, and that are fundamentally interlocked with each other – is much broader than the conception often implied in more contemporary work (although, unfortunately, the latter is no more likely to define the concept of institution explicitly and clearly than Spencer or other early theorists).

Importantly, as an adherent of utilitarian philosophy, Spencer also made the case that these structures arose naturally through a process of competition and exchange among individuals who, in the rational pursuit of

their own self-interests, entered into contracts that facilitated such pursuit. Thus, society was conceived as the nexus of negotiated contracts. Although Spencer did not address the issue directly, implicit in his utilitarian and evolutionary arguments is the notion that when institutionalized arrangements fail to permit the achievement of agents' objectives, they are likely to be subject to re-evaluation and purposeful change.

Writing in the shadows of the French Revolution, Durkheim was also deeply concerned with the question of what forces held societies together. Ultimately, he reached very different conclusions than Spencer, although two distinct responses to this question are evident in his work (Collins, 1994: 188); the later response is most clearly opposed to Spencer's arguments. The earlier response, focusing on the division of labor in society, particularly in industrialized societies, is somewhat more compatible with a materialist, agency-driven view. In this instance, Durkheim argued that solidarity reflects recognition of interdependencies among members of society created by specialization. Later work, focusing on what Durkheim referred to as 'social facts,' and reflecting his increasing rejection of Spencer's utilitarian view of society, gives much more weight to purely ideational, normative forces that serve as constraints on individuals' behavior.

In *Rules of the Sociological Method*, his treatise on the distinctive domain of sociology, Durkheim argues,

When I fulfill my obligations as brother, husband, or citizen, when I execute my contracts, I perform duties which are defined, externally to myself and my acts, in law and in custom. Even if they conform to my own sentiments and I feel their reality subjectively, such reality is still objective, for I did not create them; I merely inherited them through my education ... The systems of signs I use to express my thought, the system of currency I employ to pay my debts, the instruments of credit I utilize in my commercial relations, the practices followed in my profession, etc., function independently of my own use of them. (1964: 1-2)

Durkheim's fundamental view of social behavior expressed here not only runs directly counter to Spencer's emphasis on individuals' conscious calculation of how best to pursue independent interests, but anticipates arguments later offered by Berger and Luckmann (1967) concerning the limited ability of individuals to shape social arrangements (which they termed 'exteriority'), and the coercive power of these arrangements over behavior. It is similarly consistent with Bourdieu's (1977) concept of habitus. The primacy that Durkheim assigned to non-calculative sources of behavior was highlighted by a pointed rebuttal to Spencer, in which he observed that entering into contractual relations necessarily requires a pre-existing level of trust among society's members. Durkheim concluded that such trust was produced through collective consciousness, the normative commitment and sense of belonging to a social group (Collins and Makowsky, 2005: 95-96).<sup>2</sup>

### **Marx and Weber**

As in the comparison of Spencer and Durkheim, arguments about the validity and usefulness of assumptions about the importance of conscious choice and self-interested motivations in explaining social behavior serve as a key point of distinction between the sociological theorizing of Karl Marx and Max Weber. Marx was, of course, a materialist in philosophy and at the heart of his analysis were notions of conflict, power, oppression, exploitation and alienation between classes. In contrast to Spencer's and Durkheim's preoccupation with explaining the persistence of social order, Marx focused on forces that led to major transformations in societies.

Marx's core argument, that such transformations were inherent in class relations, was predicated on the assumption that individuals who shared a common role in the economy – a class – would ultimately and inevitably recognize their shared interests and pursue those

interests through collective action. Since all economies were constituted by, on one hand, a class that profited from control of the primary means of production and, on the other hand, classes that lacked control of key productive resources and thus were subject to the exploitation of the first, class conflict was inevitable. As technologies and other factors changed in ways that provided an exploited class with opportunities to overthrow the existing system of relations, Marx argued, their collective action would result in the dissolution of the system and the creation of a new set of social relations that was consistent with the interests of the rising class. Thus, although Marx clearly rejected Spencer's belief in the benignity and efficiency of market allocation processes, the two did share the general conception of social actors as driven by self-awareness of material interests.

However, while Marx's analysis was predicated on the assumption that social action primarily reflected rational efforts to maximize material, class-based interests, he did recognize that individuals sometimes failed to realize their true class interests – i.e., that they were subject to false consciousness. This concept entails an implicit acknowledgement of the role of cultural forces, belief systems and ideologies, in shaping action as well. True to materialist logic, though, Marx located the origins of such forces in the economic interests and material capabilities of the dominant class (Collins, 1994). Thus, widely-held social beliefs and ideologies were deemed to be shaped largely by the dominant class, which had the resources to influence the production and widespread dissemination of ideas that were consonant with their interests (and of course, influence over state agencies to suppress production and dissemination of ideas that lacked such consonance). Moreover, he assumed that changes in material conditions would provide the basis for changes in epiphenomena, such as false consciousness. In capitalist systems, increased opportunities for interaction among members of the working class,

in conjunction with the increasing degradation of work, were considered key forces in enabling members of the labor class to recognize their true, shared material interests and to collectively act upon these.

Thus, the key institutions in Marx's analysis are social classes and their relations, and his analysis suggests that these institutions will be stable as long as the dominant class is able to sustain acceptance of general ideologies that support them. When conditions changed sufficiently, though, acceptance of dominant ideologies was expected to break down under the weight of revealed interests, and the institutions to be subject to challenge and collapse. The previous system of class relations would then be replaced by new institutions (new classes, with new relations of dominance and subordination) that, presumably, were supported by new ideologies.<sup>3</sup>

Much of Weber's analyses can be seen as a response to Marx's emphasis on material interests, and particularly on class relations, as the driving force in social action. Along with Spencer, Marx and Durkheim, Weber was concerned with large-scale social changes that he saw taking place, changes that were reshaping the whole nature of society. Although some have argued that his analyses directly opposed those of Marx, by prioritizing ideas and cultural forces as determinants of social action (Parsons, 1937), most contemporary theorists view his aims more in terms of tempering, rather than rejecting Marx's arguments (Turner and Beeghley, 1981; Collins, 1994; Swedberg, 1998): his approach to explaining social phenomena emphasizes the interaction between material conditions and interests, on one hand, and subjective interpretations and meanings on the other (Weber, 1949). Thus, neither material nor ideational forces are privileged in his explanations of social phenomena; rather these forces must be understood as independent though intertwined phenomena.

It is, however, his work on cultural influences and belief systems that is most clearly

reflected in at least early formulations of institutional analyses of organizations. As Scott (2001: 13) puts it:

'more contemporary analysts of institutions lay claim to Weber as the guiding genius than to any other early theorist. Although Weber did not explicitly employ the concept of institution, his work is permeated with a concern for understanding the ways in which cultural rules, ranging in nature from customary mores to legally defined constitutions or rule systems, define social structures and govern social behavior.'

In particular, Weber's analysis of the nature of rational-legal authority and its critical role in the operation of contemporary organizations provided a key point of departure for the foundational work in institutional studies offered by Zucker (1977) and Meyer and Rowan (1977). Arguing that different forms of organizations (e.g., patrimonial administration, charismatic communes, bureaucracy) rest fundamentally on different beliefs about the 'true' or 'proper' nature of social relations, Weber sought to delineate key features of rational-legal authority, a belief system underpinning the bureaucratic form. Rational-legal authority entails acceptance of social relations as rightly governed by formal laws and regulations which, in turn, are presumed to be based on rational calculations of the most effective means to attain given ends. In this context, obedience is given to persons based on the formal offices they hold, in part because their attainment of office is understood to indicate possession of skills and abilities that make them able to execute the tasks of the office. Weber contrasted this form with traditional authority, in which social arrangements are accepted as preordained, whether by a deity or natural law, and charismatic authority, in which accepted social arrangements reflect the dictates of an individual who is viewed as possessing supernatural or magical powers and abilities (Weber, 1947).

This conception of rational-legal authority as a cultural foundation for modern organizations was linked, particularly in Meyer and Rowan's and Zucker's initial analyses of organizational institutions, to work in the

tradition of phenomenology, as articulated by Schutz (1967) and Berger and Luckmann (1967). As suggested in our discussion above, such phenomenological explanations of social behavior have close parallels to those of Durkheim. For Durkheim, though, institutions – the forces that produced 'social facts' or enduring patterns of behavior characterizing collectivities – were primarily normative, operating through the social solidarity that bound individuals together in a society (Durkheim, 1947). For phenomenologists, on the other hand, institutions were defined more in cognitive terms, as shared meanings and understandings that arose from social interaction and shaped behavior largely by constraining individuals' cognitions and perceived choices of action. A phenomenological approach to institutions can also be distinguished from Durkheim's by the concern of phenomenologists with explicating the micro-interactional processes in which institutions originate.

### **THE INITIAL FORMULATIONS OF INSTITUTIONAL ANALYSES OF ORGANIZATIONS**

In terms of contemporary institutional analyses, Powell and DiMaggio (1991) have four articles that they call 'The Initial Formulations,' namely, Meyer and Rowan (1977), Zucker (1977), DiMaggio and Powell (1983) and Scott and Meyer (1983). These expositions show continuity with the forerunners, but also a distinct break. The continuity involves theoretical notions of the bases of social action; the break involves a specific focus on organizations.

To appreciate, in part, the 'neo-' label that is often attached to this tradition, it is useful to recall the dominant lines of sociological theorizing and research on organizations up to the mid-1970s.<sup>4</sup> In the U.S., research on organizations as a distinct subfield of study by sociologists had its roots in efforts by Robert Merton and his students

(e.g., Merton, 1947a; Gouldner, 1954; Blau, 1955) to empirically examine key tenets of functionalist theory. Based on the notion that organizations could be viewed as societies in miniature, organizational research was seen as permitting the kind of comparative study needed to provide systematic validation for functionalist arguments (and thus represented a very appealing alternative to conducting costly and difficult cross-national studies).

The logic of functionalist reasoning encouraged examining and explaining organizational structures in terms of benefits (particularly in terms of efficient functioning) to organizations. Thus, by the mid-1970s, the most prominent line of sociological research on organizations, which had come to be dubbed as 'contingency theory,' reflected a confluence of this theoretical agenda and the more pragmatic concerns of a tradition known as administrative theory (Gulick and Urwick, 1937; Follett, 1942). Studies in this tradition typically investigated the way in which various contingencies, such as size and technology, affected the relative efficiency and profitability of variations in structure, such as complexity, formalization, centralization; that is, organizations were generally assumed to adopt structural arrangements on the basis of calculations that were aimed at enhancing efficiency and effectiveness, and that took into account various contingencies facing the organization (e.g., Woodward, 1958; Hage and Aiken, 1967; Pugh et al., 1969; Klatzky, 1970; Blau and Schoenherr, 1971; Pennings, 1973). As Meyer and Rowan summarize the literature at this point in time:

One of the central problems in organization theory is to describe the conditions that give rise to rationalized formal structure. In conventional theories, rational formal structure is assumed to be the most effective way to coordinate and control the complex relationship networks involved in modern technical or work activities. (1977: 342)

### ***Meyer and Rowan***

In advancing an alternative view of the sources of organizational structure, Meyer

and Rowan drew on Weber's analysis of rational-legal authority in modern economies, and wove this together with Berger and Luckmann's (1967) ideas about institutionalization, processes leading to the kind of socially-constructed reality depicted in the earlier quote from Durkheim. They argued that in modern societies, rules about how organizations 'ought' to operate and the kinds of structures they 'should' have arisen from a variety of sources. Among these, Meyer and Rowan discuss the effects of complex relational networks (interconnections among organizations that facilitate the spread of ideas and understandings), the collective organization of the environment (the rise of powerful states that can pass and enforce mandates that affect organizations), and the leadership of local organizations (non-government organizations that have power and/or legitimacy to promote prescribed organizational arrangements). Organizations experience pressure to conform to these rules in order to maintain their own legitimacy; thus, formal structure, Meyer and Rowan suggest, can be viewed as the result of conformity to such rules or 'myths.'

This emphasis on ideational and normative sources of structure offered a very sharp contrast to the then-dominant approach to explaining organizational structure. Note here that, in contrast to earlier sociological analyses that provided the underpinning for their arguments, their concept of 'institution' entailed much more circumscribed social phenomena – particular social rules and definitions of the appropriate formal structure of organizations.<sup>5</sup>

### ***Zucker***

Published in the same year, Zucker's analysis (1977) provided an elaboration of the phenomenological arguments contained in Meyer and Rowan, along with empirical evidence for these from an experimental study. In contrast to the largely macro-level focus of the other foundational work, Zucker

addressed the microfoundations of institutions in some detail and, as she herself says, such an approach 'focuses upon institutionalization as a *process* rather than as a state; upon the cognitive processes involved in the creation and transmission of institutions' (Zucker, 1977: 104; see also her post-script to the re-printing of this study in Powell and DiMaggio, 1991). Her experiments demonstrated that when subjects were directed to think of themselves as being in an organizational setting (rather than simply engaged in informal interaction with other participants) they were much more willing to accept the judgments of others; moreover, in organizational settings, such judgments were more readily transmitted from one set of subjects to a new set – across generations of participants.

Consistent with Weber's arguments about rational-legal authority, then, her research indicated that individuals are inclined to view the behavior of representatives of organizations as being relatively objective (presumably, as reflecting rational decision criteria rather than individual, idiosyncratic choices), and that this increases their propensity to transmit these behaviors to others as rules, 'correct' ways of doing things. Her work thus provided a crucial link between phenomenologists' arguments about the impact of institutions on individual cognitions and behavior and Weberian arguments about the nature of authority and normative order in modern societies. This, in turn, provided a key base for research by later institutionalists on the diffusion of particular structures and practices across sets of organizations (Tolbert and Zucker, 1983; Palmer, Jennings and Zhou, 1993; Zhou, 1993; Skinner and Staiger, 2005).

### **DiMaggio and Powell**

In part, the positive reception that greeted Meyer and Rowan's and Zucker's papers reflected recognition of the absence of more normative views of behavior found in

dominant lines of organizational research at the time. By the early 1980s, however, concerns about a perceived overemphasis on normative imagery in this work and an implicit lack of agency had begun to build (Perrow, 1985; Oliver, 1991, 1992; Abbott, 1992; Hirsch and Lounsbury, 1997). These issues were addressed, to some extent, in the other two foundational pieces, published in 1983 by DiMaggio and Powell, and by Scott and Meyer.

DiMaggio and Powell (1983) also start from a Weberian view of rationalism as the major force in industrializing and modernizing societies, and echo Weber's idea of such rationalism becoming an 'iron cage.' However, their purpose is to use this as a springboard for suggesting that the processes of rationalization and bureaucratization that drove Weber's analysis are now standard in modern society. Like Meyer and Rowan and Zucker, they argue that the creation of institutional templates serves to drive processes of isomorphism, thus resulting in a high level of structural homogeneity among organizations. Their specification of different sources of isomorphism – mimetic, normative and coercive – elaborated and clarified distinctions pointed to in Meyer and Rowan's work. Perhaps more importantly, their notion of organizational field helped to draw attention to the array of interacting organizations that give rise to, shape and re-shape institutionalized definitions. They define a field as (1983: 148), 'those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies and other organizations that produce the services or products.'

The notion of field serves to highlight the variety of actors that may engage in efforts to affect institutional definitions, and implicitly suggests a role for active agency, at least during early phases of field structuration, while still recognizing the constraining effects of such definitions. They posit, '(O)rganizational actors making rational decisions construct around themselves an

environment that constrains their ability to change further in later years' (1983: 148). This conceptualization foreshadows DiMaggio's (1988) later work elaborating on the role of institutional entrepreneurs in change processes. It also reflects research by Tolbert and Zucker (1983), who examined how the political conflict and struggles among elites and immigrants that contributed to the early formulation and adoption of civil service reform laws became an increasingly irrelevant factor in predicting adoption of the reform over time. Thus, DiMaggio and Powell's analysis provides one avenue for integrating the agentic, interest-driven images of social behavior offered by Spencer and Marx, with the more constrained, normative conceptions of Durkheim. Like Weber's work, their arguments recognize the validity and necessity of both approaches for adequate sociological explanations.

### **Scott and Meyer**

Scott and Meyer (1983) elaborate a similar notion to that of field, namely, societal sector. They use this term in two ways. The first usage denotes the set of organizations that provide similar products and services and serve the same function, along with resource-providing and regulatory organizations; this is clearly akin to DiMaggio and Powell's notion of a field. In a second use, though, sector is used to refer to the kinds of performance criteria that are typically used in evaluating different sets of organizations. In particular, they distinguish between technical sectors, in which performance evaluation is largely identified with market outcomes, and institutional sectors, in which performance evaluation is closely linked to conformity with institutional rules and regulations and only indirectly tied to market outcomes. This latter concept of sector represents a different way of integrating both agentic and normative approaches to explaining organizations' behavior, suggesting that the relevance of more agentic or normative explanations

depends on the context in which an organization operates.

Both of the analyses by DiMaggio and Powell and Scott and Meyer thus partially address the core question that Tolbert and Zucker (1996) later articulated as a key problematic for the further development of an institutional approach, reconciling what they refer to as rational actor models of behavior with institutional models. They note:

We suggest that these two general models should be treated not as oppositional but rather as representing two ends of a continuum of decision-making processes and behaviors. Thus, a key problem for theory and research is to specify the conditions under which behavior is more likely to resemble one end of this continuum or the other. In short, what is needed are theories of *when* rationality is likely to be more or less bounded. (176)

Although recent organizational analyses cast in the institutional tradition have made some progress in addressing this issue, a fully satisfactory resolution still awaits. There are other issues that remain to be addressed as well, as discussed below.

## **ISSUES FOR INSTITUTIONAL THEORY**

Comparison of the work of the classic theoretical forerunners and the initial formulations of institutional theory suggests at least three issues that merit much more attention by contemporary institutional theory. These are:

1. Integrating conceptions of interest-driven behavior (and hence, problems of power and conflict) with those of bounded rationality and normatively-guided behavior;
2. Setting organizational institutionalism in wider historical and social contexts in order to understand more profound processes of social change;
3. Taking an interpretive approach seriously.

These issues are not, of course, orthogonal; there is clearly overlap among them.



### ***Incorporating issues of power and conflict***

For both Weber and Marx, the idea of an institution was inseparable from issues of power and interest. For both, understanding the emergence, functioning and change in institutions entailed understanding the ability of particular groups in society to ensure that their interests were served by given arrangements. For both, processes of legitimization were seen as key to sustaining institutions. And for both, analyses of patterns of power, domination, and conflict required in-depth understanding of the social and historical context in which they occurred.

Weber argued that the dominance of bureaucracy as an institution in societies characterized by rational-legal authority reflected its substantial advantages over alternative forms of organization (1947: 337): 'It is superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability ... superior both in intensive efficiency and in the scope of its operations, and is formally capable of application to all kinds of administrative tasks.' He also clearly recognized the dark side of this advantage, however, noting that an entrenched bureaucracy can serve any interests, and that those whose interests are served are likely to become increasingly remote from the mass of the population. Weber's imagery of members of bureaucratic organizations as cogs in a machine acknowledges that the institution can be a source of alienation, not only in the psychological sense but in the more Marxian sense: individuals are separated from the products of their labor, and thus may enact behaviors that run directly counter to their material interests. Marx's notion of false consciousness captures the same sort of phenomenon. Although contemporary institutional theory would seem a natural point of departure for examining such behavior, work in this tradition has given surprisingly little attention to it.

As Friedland and Alford argued that the social sciences have been in a theoretical

retreat from society, so it is possible to argue that organizational institutionalism has been in a theoretical retreat from issues of interests, power, conflict, domination and exploitation. In part, this reflects both an unstated functionalist logic in an institutionalist approach (Kirkpatrick and Ackroyd, 2005), and a general lack of concern with these issues in North American organizational theory and sociology in general (Hinings and Greenwood, 2002). With few exceptions, there has been a little recognition of class or collective interests and power in institutional analyses. Although DiMaggio (1988) addresses the issues of interests and power, his analysis reflects more of a concern for connecting institutional arguments with the notion of individual agency (more in line with Spencer's concerns) than for understanding how particular groups attempt to dominate others. Greenwood and Hinings (1996) do have a notion of particular occupational and functional groups having different material interests and vying for the power to impose their institutional arrangements on others. Lawrence et al (2001) propose that influence, force, discipline and domination are all mechanisms of institutional change that are based on how power is used.

However, in these approaches the emphasis is on the ways in which power is utilized to allow institutional change to occur. That is, it is primarily conceptualized as a factor or condition that allows change at either the field or organizational level. And in spite of the language that Lawrence et al. (2001) use, their concern is not with the ability of particular groups to frame institutional arrangements in such a way that their interests are furthered. What is needed is not only a more elaborate exploration of the role of institutional forms, organizations and processes as frameworks and mechanisms in serving some interests rather than others and, potentially, bolstering the power of some social and occupational groups rather than others, but also an examination of the conditions under which disadvantaged groups will simply accept or recognize and challenge

existing institutions. Interestingly, Selznick (1949) dealt with some of these issues in his work on Tennessee Valley Authority (TVA), but this aspect has not been taken up.

One interesting development that could form the basis for such an approach is the idea of institutional logics (see Thornton and Ocasio, Chapter 3 this volume). Marx emphasized the basis of ideologies in interests and the consequent way in which such ideologies control social relations. Thornton and Ocasio (1999: 804) defined institutional logics as 'the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.' And as they point out in this volume, there is an inescapably material aspect to institutional logics. However, the nature of logics as ideologies and the ways in which they are related to interests has not been fully explored.

There is, of course, a stream of sociological and management theory that takes institutional frameworks as embodiments of power, control and domination, namely, critical theory (Habermas, 1970, 1971, 1974; Alvesson and Willmott, 1992; Alvesson and Deetz, 1996). However, this stream of theorizing has had little or no impact on organizational institutionalism. More recent efforts to join research on social movements with institutional analyses also partially addresses this issue, but the problem with much of this work is that it implicitly takes for granted the ability of actors to rationally assess the impact of existing arrangements on their own interests, and challenge those that fail to serve these interests (e.g., Schneiberg and Bartley, 2001; Ingram and Rao, 2004; Rojas, 2006). Hence, they often rest on a more Spencerian view of social action, and fail to effectively address the insights of Durkheim and more recent phenomenologists concerning the power of normative orders in constraining action.

Thus, overall, sociological forerunners point organizational institutionalists in quite different directions than have been taken so far. The central issues that require exploration include the way in which institutional arrangements serve as instruments of domination by particular groups and particular sets of interests rather than others, and better specification of the conditions under which they are likely to be subject to challenge by competing interests. An important part of the Marxist, Weberian and critical theory arguments about institutions is the way in which forms move across institutional arenas precisely because of the way in which they support particular interests and allow elites to maintain power (cf. Prichard and Willmott, 1997). As Hinings and Greenwood argued (2002), organizational theorists have to be more concerned with the implications of organizational forms and processes for power and control, something that should resonate strongly for organizational institutionalists because institutions are the durable, change-resistant social structures of society (Scott, 2001: 49). As Giddens (1984: 24) puts it, 'Institutions by definition are the more enduring features of social life .... giving "solidity" (to social systems) across time and space.'

### ***Understanding the relation between institutions and social change***

As noted, the use of the concept of 'institution' by contemporary organizational researchers has generally involved a much more specific and narrower referent than that of classic sociological theory. Arising as an alternative approach to explaining formal organizational structure, the earliest expositions of institutionalism associated this concept with very specific elements of structure among a set of organizations: e.g., affirmative action offices, civil service rules, radio programming formats, 'poison pill' policies, and so forth. One result of this

approach was the deflection of efforts to conceptualize formal structure in terms of broadly defined dimensions, such as complexity, formalization, and centralization, efforts that dominated much of organizational sociology from the 1950s through the 1970s. Indeed, the lack of success by sociologists in coming up with agreed-upon conceptualizations and operationalizations of such broad dimensions (e.g., Kimberly, 1976) may have contributed to researchers' receptivity to an institutional approach. Another, and perhaps more consequential outcome, however, has been a neglect of the sorts of broad patterns of social relations and social change that were traditionally associated with analyses of institutions (for notable exceptions, see the work of John Meyer and his colleagues). That is, there has been a distinct shift from efforts to understand 'big institutions' to those that are focused on (relatively) 'little institutions.'

The redefinition of the concept of institution to denote specific elements of structure may have been driven in part by empiricist concerns. The broad conception of institution in sociological theory did not lend itself easily to operationalization or efforts to verify theoretical claims, as witnessed by the still-ongoing debates over how to define and measure 'class' (e.g., Erickson and Goldthorpe, 1992; Wright, 1997; Weeden and Grusky, 2005). The redefinition may also reflect that fact that many (most?) of the current proponents of institutionalism work in business schools, a context that is apt to encourage a stronger focus on explaining the behavior of organizations *per se* and discourage a broader focus on general societal issues and processes of social change (Stern and Barley, 1996). One might argue, as this volume as a whole does, that institutional theory has told us a great deal about organizational behavior. Indeed, the existence of a 'Handbook of Organizational Institutionalism' is testament to this.

However, as a consequence of the narrowness of its conception of institutions, institutional theory has offered little in return to the

rich heritage of sociological theorizing from which it draws (cf. Hinings, 1988; Hinings and Greenwood, 2002).

Most of the theorists that Scott labels fore-runners were concerned with the broad sweep of institutions – how society was constituted through its institutional framework, and how that framework was changing. Their analyses dealt with creation and change in dominant institutions, and understanding both the historical causes and consequences of such change for both society and individuals. These issues particularly resonate in the work of Marx, Durkheim and Weber. Conceptually, a strong distinguishing feature of the work of Weber and Marx, especially, was an emphasis on understanding institutions and institutional change within broad historical contexts. They recognized that they lived in times of large-scale social change and upheaval, and struggled to understand them. For them, all analysis was historically located in a particular socio-economic milieu. While all three were highly analytical (e.g., the use of ideal types, the labor theory of value, the nature of anomie), such constructs were only possible because of both sweeping and detailed scholarship of the historical trajectories and embedded nature of institutions.

It is not that contemporary institutionalists are oblivious to the historical settings that frame the diffusion of specific practices (e.g., see Tolbert and Zucker, 1983; Sine, Haveman, and Tolbert, 2005; Haveman, Rao, and Paruchuri, 2006), but that concern with explaining organizational behavior, *per se*, has often led to a lack of concern with understanding and explaining overarching shifts in society – the increased formalism in all kinds of organizations (though see Drori, Jang, and Meyer, 2006), the rise of international governance organizations in the wake of globalization, such as the International Monetary Fund, the World Bank, and International Labour Organization, that are not subject to the authority of any given nation state, the increasing levels of stratification in many societies resulting, in part, from changing

organizational employment policies, and so forth – and the implications of such shifts for individuals and social order.

Work focusing on the field level of analysis, which Scott (2006: 16) defines as ‘a set of interdependent populations of organizations participating in the same cultural and social sub-system,’ provides a potential purchase on this issue. This level has indeed become important in the last 10–15 years in institutional theory, and is intermediate between organizations and wider social systems and forces. However, organizational institutionalists need to do more work that locates fields in a societal (and perhaps international) context. This is particularly important if organizational theorists and sociologists of organizations believe, with Weber, that organizations are the key institutional forms of society. We need to address questions concerning the ways in which organizations both shape and are shaped by the larger historical contexts in which they are located.

There are, of course, some exemplars that deal with understanding the relation between organizational and societal change, in particular, Zucker (1983), Fligstein (1990), Dobbin (1994) and in a different way, Orru, Biggart, and Hamilton (1991). It’s also worth noting that Friedland and Alford’s *cri de coeur* concerning the retreat from society is not applicable in Europe, where the development of institutional theory has been strongly located in differences between nation states and varieties of capitalism (Whitley, 1992; Morgan, 2001; Djelic and Sahlin Andersson, 2006). Much of organizational institutionalism, though, needs to find its way back to these issues of historical and societal significance.

### **Taking an interpretive approach seriously**

The final set of problems that we see as needing more attention by organizational institutionalists involves gaining a better understanding of the kinds of issues that

underpinned Durkheim’s analysis – how normative orders arise, are maintained and change. That is, institutionalism needs to explore in more detail the conditions under which individuals are likely to raise and accept challenges to existing institutional orders, or to reject such challenges. This problem also, clearly, relates to Marx’s notion of false consciousness, and the question of how *Klasse an sich* may become *Klasse fuer sich*.

As noted, institutionalists have addressed these concerns to some extent, particularly by drawing on work by phenomenologists, such as Schutz, Berger and Luckmann, and by more recent scholars, such as Bourdieu and Giddens. Giddens’ notion of the ‘duality of structure,’ suggesting that while structures constrain social action they are also created and modified by knowledgeable actors, has served as an important springboard for much discussion of the processes of institutional change (1976, 1979). For the most part, however, analyses that have drawn on the ideas of these scholars have remained theoretical (see Sewell, 1992 for a particularly cogent theoretical synthesis). The great majority of empirical studies conducted under the banner of institutionalism have involved large-scale, quantitative studies examining the adoption or, less frequently, the abandonment of particular organizational practices or arrangements. While these studies are often premised on theoretical assumptions about cognitive and interactive processes that underpin these institutional processes (DiMaggio, 1997; Oliver, 1991; Tolbert and Zucker, 1996; Barley and Tolbert, 1997; Greenwood, Suddaby, and Hinings, 2002), the assumptions themselves have seldom been subject to empirical verification by researchers.<sup>6</sup>

One approach to this entails more intensive use of data gathered through observational, interview and analysis of historical documents derived from first-hand participants involved in change or potential change processes. This is in line with Silverman’s

(1970) older agenda for organizational sociology, centering on a critique of reified and abstracted empiricism and arguing for its replacement with an action frame of reference. Silverman was particularly concerned with shifting attention to what organizational actors actually do through the process of interpretation to construct meanings. In terms of method, this approach promotes the use of case studies, focuses on actual behaviors, privileges discourse and emphasizes metaphor. In a similar vein, Barley and Tolbert have sought to lay out a research agenda, specifically within the framework of institutional theory, which addresses issues of action and institutional change, and which emphasizes the identification and analysis of scripts centered on behavior as a key element. Drawing on Giddens' concepts of structuration, they make a plea for 'a systematic exploration of the relative important of behavioral and interpretive phenomena in the institutional process, and on the basis of such exploration, the fashioning of a set of methods that are sensitive to and systematic about documenting both cultural and structural dynamics' (Barley and Tolbert, 1997: 113). One example of empirical work in this vein is Barley's (1986) classic study of the adoption of new technology by radiology departments, which analyzes changes produced in scripts, routines, and processes of structuration (see Scott's 2001 of this study).

An alternative approach involves linking discourse theory and concepts of framing with institutional theory (Phillips, Lawrence, and Hardy, 2004; Chreim, 2006). As with the attempt to use structuration theory, the concern here is with the processes of institutionalization and actors as active agents interpreting and establishing meanings in those processes. Phillips et al. (2004) develop a discursive model of institutionalization that highlights the relationships among texts, discourse, institutions, and action. They argue

that language is fundamental to institutionalization: institutionalization occurs as actors interact and come to accept shared definitions of reality, and it is through linguistic processes that

definitions of reality are constituted (Berger and Luckmann, 1966). Despite this connection between institutions and language, most institutional theory has been dominated by realist investigations in which the examination of organizational practices has been disconnected from the discursive practices that constitute them (Phillips et al., 2004: 636).

One of the few examples of an empirical study using a discourse analytic approach to study institutional phenomena is represented in Zbaracki's (1998) thoughtful and provocative analysis of the adoption and implementation of total quality management practices by organizations.

The essential point about an interpretative approach is that it takes the actor, subjectivity, meanings, and reflexivity seriously. In so doing it opens up the black box of institutionalization both in stability and change. And it does it from a theoretical and methodological standpoint that is less than prevalent in organizational institutionalism. While we have many provocative suggestions as to factors that enable actors to question and alter extant institutions (see Sewell, 1992), we have little empirical knowledge of the conditions under which those factors are most likely to come into play. Thus, many questions remain answered, including those such as: What is required for a general reorientation of shared cognitions (e.g., under what conditions might a widespread rejection of tenure systems in academia occur)? What causes breakdowns in institutionalization processes, once these are set in motion (e.g., why did some developed countries resist signing the Kyoto protocols after many of their allies and partners had done so)? And why do institutions that clearly disadvantage some groups continue to be accepted by members of those groups (e.g., why did some freed slaves in the antebellum U.S. become slaveholders themselves)?

## CONCLUDING COMMENTS

We have attempted to revisit the origins of institutional theory and thereby ask questions

concerning in what ways the earlier insights may have been lost in more contemporary studies.

Contemporary institutional theory reflects the core understandings and assumptions that provided touchstones for classic sociological theorizing, as well as the analytic dilemmas that characterize the combined works of its forerunners. By tracing its linkages to the ideas and arguments of the preeminent social theorists indicated by Scott, we have intended to help explain both the attraction of this approach to organizational analysis for many researchers, as well as the difficult and ongoing debates that have sometimes fueled a general sense of uneasiness about its future.

We have argued that, in particular, current institutionalism is characterized by a core tension that can be traced to the roots of sociology, understanding social action as a product of interest-motivated, conscious choices by actors or as a product of normatively-constrained, habitualized responses. In line with the observations of Tolbert and Zucker (1996) and others, we do not see these as antithetical models, but rather as poles on a continuum: Under different conditions, actors' decisions and behaviors are likely to be closer to one or the other end of the spectrum. In our view, *the* key problematic facing sociologists (and anyone who seeks to extend an institutionalist perspective) is specifying what these conditions are, and explaining the connection between particular conditions and individuals' receptivity to cognitive reorientation and norm-breaking action.

As argued above, we believe that part of this effort will require more empirical analyses that use interpretive frameworks to explore institutional phenomena. That is, we need a much more thorough understanding of institutions as manifested in individual perceptions and decisions if we are to fully grasp the duality of structures (using Giddens' term). It is commonly argued, for example, that resource constraints that hinder the enactment of institutionally-based behaviors are often a critical factor in bringing about institutional change (e.g., Leblebici,

Salancik, Copay, and King, 1991; Sewell, 1992; Barley and Tolbert, 1997). But we have little insight into how individuals translate resource problems into a critical consciousness, or into what determines whether such constraints will lead merely to minor adaptations or to complete rejection of institutional patterns. Gaining a better understanding of such issues would, we speculate, ultimately provide the foundation for a better understanding of the sorts of broad changes in societies and social orders that motivated the sociological analyses that serve as the forerunners of contemporary institutionalism, and could also help illuminate the way in which existing relations of power are likely to be subject to challenge. Drawing a link between specific micro-level interactional processes and particular instances of broad social change is a treacherous business, one that has some resemblance to exploring the butterfly effect (Bradbury, 1953), but a general understanding of micro-level phenomena would, we believe, allow a fuller understanding of how individual processes and societal level outcomes may be generally linked.

In addition, a central motif of the social theorizing that institutional theory draws upon was of the processes of social change. While it is necessary to conceptualize institutionalization as a state, there has been too much emphasis on this rather than on institutionalization as a process, understanding how those processes occur over time, and what the central drivers of institutional change are. These kinds of questions were at the heart of the theorizing of Durkheim, Marx and Weber (and are also exemplified in the work of Meyer and his colleagues. They are much less evident in the work of contemporary organizational institutionalists.

We believe that following up on these themes in our research agendas would allow modern institutionalism to make a significant contribution to the rich sociological heritage on which it has drawn.

## NOTES

1 This lack of attention is summed up by Parsons' plaintive query, posed in the opening of *The Structure of Social Action*, less than 40 years after Spencer's death (1937: 1): 'Who now reads Spencer?' Recent theorists (e.g., Andreski, 1973; Turner and Beeghly, 1981) suggest that the general neglect of useful theoretical insights provided by Spencer stems from antipathy toward his embrace of now-discounted ideas, such as Social Darwinism.

2 Interestingly, some empirical evidence of Durkheim's notion of collective consciousness can be adduced from recent work by psychologists on the formation and behavior of in-groups (Tajfel and Turner, 1979). In a provocative analysis, Zucker (1986) offers a reversal of Durkheim's arguments, noting that institutions can contribute to the formation of trust and solidarity.

3 A very similar argument is advanced by Merton (1947b), who focuses on the relative balance of functions and dysfunctions associated with existing structures as a source of social change. Merton does not invoke notions of objectively-defined classes, however, and though he recognizes that it is important to consider for whom (or for which groups) a given structure is functional or dysfunctional, how to factor that consideration into assessments of the likelihood of change is left unanswered.

4 For a slightly more expanded account of the origins of an institutional approach in organizational analyses, see Tolbert and Zucker, 1996.

5 A slightly different, but also relatively narrow notion of institution is found in Selznick's work on leadership (1957: 16–17). One of the functions of a leader, Selznick argues, is to infuse an organization with social value that goes beyond the achievement of its technical goals; this contributes to its adaptability and long-term survival. Thus, Selznick's use here identifies 'institution' with a type of organization.

6 Some relevant empirical work that relates to this has been provided over the last 20 years by psychologists in research on processes of cognition formation and change, but the use of such research by sociologists or others drawing on institutional theory, even as evidential support for underlying assumptions, is very rare (see DiMaggio, 1997; Clemens and Cooke, 1999).

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