INTRODUCTION

The aim of this volume is to chart the progress being made refining institutional theory (Powell & DiMaggio, 1991) and its contributions to organizational studies. This progress includes developments at the core of institutional theory, as well as those at the intersections with other organizational perspectives and theories. The specific aim of this chapter is to reflect on the progress made—and still to be made—toward integrating insights from institutional theory with those from organizational economics.

There is no doubt that the very different origins and orientations of these two approaches make their integration a challenging endeavor. In the words of Granovetter (1985), economists tend to offer undersocialized accounts of organizational phenomena, whereas institutional theorists tend toward over-socialized explanations. More specifically, economic theories emanate from assumptions of organizational actors as rational calculating entities. On the other hand, the strong form of institutional theory views these actors as more reflexively conforming to the various institutional influences and constraints that emanate from the fields in which organizations are embedded.

This chapter is rooted in the premise that there is some potential for a more seamless integration of the two perspectives. In what follows, I briefly summarize the main tenets of organizational economics and institutional theory, drawing primarily from the organizing framework offered by Roberts and Greenwood (1997). This framework suggests two broad ways that the institutional and economic perspectives might be bridged: by examining how purposeful and otherwise rational organizational actors react to the post-conscious (i.e., sociopolitical) and pre-conscious (i.e., cognitive) institutional influences that they face when navigating organizational fields. This allows us to point to some productive integrative research located along the first bridge. On the other hand, we find less published work that...
integrates Scott’s (1995) cognitive pillar with economic perspectives on organizations. I then offer several reasons for the more scant progress along this second bridge before concluding with several thoughts about the prognosis for further integrative research.

**TWO COMPETING APPROACHES**

Organizational economics and institutional theory offer seemingly contradictory accounts of organizational phenomena. ‘Economic approaches to the study of organization, transaction cost analysis included, generally focus on efficiency’ (Williamson, 1981: 549) and aspire to ‘provide an answer to the most fundamental question in organizational research: why do organizations exist?’ (Hesterley, Liebeskind, & Zenger, 1990: 404) The field originally examined the comparative efficiency of hierarchies, franchises, multidivisionals, conglomerates, holding companies (Williamson, 1975), clans (Ouchi, 1980), and market-hierarchy hybrids (Williamson, 1991). More recently, economic logic has been employed to explain a broader array of organizational and strategic phenomena, including joint ventures (Yiu & Makino, 2002) and franchising arrangements (Shane & Foo, 1999). In all cases, the basic rationale for any given organizational action or outcome is rooted in its efficiency compared to the set of available alternatives, including markets.

Historically, institutional theorists have been more interested in explaining uniformity than heterogeneity (Dimaggio & Powell, 1983). This naturally leads them to focus on the organizational field or even society at large as the primary unit of analysis. Organizations operate in environments where much is taken for granted. The taken-for-granted elements, which are either infused with excess value (Selznick, 1957) or constructed in the process of social interaction (Berger & Luckmann, 1966), serve as powerful schema or frames, shaping the decision-making process by influencing what is or is not perceived by decision makers. These influences correspond to Scott’s (1995) cognitive pillar, which focuses on the frameworks of meaning by which actors interpret and make sense of their world. Unlike the bounded rationality emphasized by transaction cost theorists, the cognitive influences emphasized by institutional theorists relate to ‘the internalized symbolic representations of the world’ (Scott, 1995: 40). On the other hand, Scott’s (1995) normative pillar highlights the sets of expectations within particular organizational contexts of what constitutes appropriate and thus legitimate behavior. Tangible forces in an organization’s environment directly or indirectly tilt choices away from technical considerations and toward the pursuit of legitimacy. In this respect, Meyer and Rowan (1977: 343), objecting to the common portrayal of organizational designs as the product of the technical demands placed on an organization, argue that ‘elements of formal structure are manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations.’

Admittedly, organizational economists have alluded to the significance of institutions. At a general level, institutional economists contend that the orthodox microeconomics paradigm is enhanced if the choices made by ‘economic man’ are understood as occurring within the context of institutions which act as constraints upon the choices made. Williamson (1992: 41) is explicit about the role of the institutional environment, suggesting that ‘the institutions of governance … are embedded in the institutional environment.’ However, the institutional environment that he envisions consists only of the ‘set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution’ (Williamson, 1993: 11). The institutional environment envisioned by institutional theorists includes its more sociological elements, such as patterns of
social relations (Burns & Wholey, 1993) and embeddedness interpretations (Meyer & Rowan, 1977). These perspectives – Scott’s (1995) second and third pillars of institutional thinking – have not figured prominently in the work of organizational economists. Yet, it is to these features that writers such as Granovetter (1985), Robins (1987) and Hesterley et al. (1990) point when they assert the need to more fully consider the institutional aspects of organizations.

This said, there have been movements in the two theoretical camps toward recognizing potential contributions from one another. David and Han (2004: 54) recently concluded that transaction costs theory ‘can be refined by specifying “scope conditions” … given the mixed support transaction cost economics is currently garnering, it is critical to understand the conditions under which the theory works well and under which it does not.’ Along these lines, organizational economists have challenged themselves to account for the many influences and constraints that operate upon the calculating agents that they are modeling. Williamson (1987: 176) noted that if pushed, ‘few economists would insist on an unrelieved efficiency theory of economic organization.’ Rather, organizational economics should be based on what may be referred to as weak-form, rather than strong-form selection. In a relative sense, it is the more (but not the most) efficient organizations that tend to fare well and therefore survive. There is no reason to insist that survivors are always the most efficient in any absolute sense. In his critique of transaction cost theory, Robins (1987: 74, emphasis added) similarly stressed that optimal exchange efficiency need not always result: ‘the degree to which any individual organization will be pushed to find and adopt internal cost economies will reflect both the level of competitive pressure to which it is subjected and the available strategic alternatives.’ Along similar lines, Winter (1991) noted that competitive pressures operate on whole organizations and that sub-optimal and even dysfunctional intra-organizational arrangements can persist over long time periods. Beliefs that strong-form efficiency is not paramount, that organizational outcomes are influenced by actors’ perceptions of available alternatives, and that these outcomes might be technically dysfunctional seem to open the door for potential contributions from institutional theory to economic perspectives on organizations.

At the same time, institutional theory long focused on ‘how non-choice behaviors can occur and persist, through the exercise of habit, convention, convenience, or social obligation.’ (Oliver, 1991: 151) In its strongest form, the institutional approach rejects the premise that organizational phenomena are the products of rational choice based on technical considerations. Rather, emphasis is placed either on the taken-for-granted nature of the decisions made or on the pressures to secure legitimacy that operate on organizations, or both. Since the mid-1990s, however, institutional theorists have charged themselves with the task of injecting an appropriate amount of agency into their accounts of organizational behavior. DiMaggio and Powell (1983) and Tolbert and Zucker (1984) recognized early on that institutional forces are not always primary, noting the tendency for the early adoption of novel organizational practices to be driven by technical as opposed to legitimacy considerations. Echoing Granovetter’s (1985) concerns about over-socialized theory, Powell (1991: 194) suggested that ‘much of the imagery of institutional theory portrays organizations too passively and depicts environments as overly constraining.’

From these brief overviews, it seems clear that some promise for more effective integration is found in the common belief that there are (social) structural constraints on the otherwise purposeful behavior of organizational actors (Ingram & Clay, 2000). If one begins with organizational economics, the task is to integrate the many institutional constraints on rationality into the accepted choice paradigms. If one begins with institutional theory, the task is to find a way to
inject some economic rationality into the otherwise overly passive predictions that emanate from institutional theory.

PROGRESS TOWARDS INTEGRATION

Fulfilling this promise, we have been seeing a range of organizational research that may be cast (explicitly or implicitly) as an integration of institutional and economic approaches. The most straightforward way for competing theoretical perspectives to come together is in empirical investigations that include sets of variables representing each. One example of this is found in Baker, Faulkner, and Fisher's (1998) analysis of the expected duration of ties between advertising firms and the companies that hire them. The authors develop a set of hypotheses grounded in competitive, power-based and institutional explanations of tie duration. After running their analysis, they are able to conclude that all three forces influence client–agency ties and that their importance clearly varies. From there, they are able to discuss how the latter two theoretical perspectives help to elaborate a basic economic view of markets as straightforward competitive spaces. Similar types of analyses are found at the intersection of institutional and transaction cost theories. Shane and Foo (1999) add a set of institutional variables to models predicting survival rates of new franchisors and conclude that survival is better explained by adding the institutional variables. D’Aunno, Succi, and Alexander (2000) argue and then find that market (economic) and institutional forces combine to influence radical changes in rural hospitals. Yiu and Makino (2002) conduct a similar analysis of the use of joint ventures and find that both transaction cost and institutional theory variables return significant coefficients in their models.

These types of empirical efforts are indicative of the type of integration suggested by Gibbons (2005) when he notes that exposure to different theoretical perspectives allows researchers access to different dependent and (in this case) independent variables. However, the prospect of a more complete and synthetic integration of the institutional and economic perspectives requires that the theories themselves interact in order to deliver a more nuanced account of important organizational phenomena. But, as we saw in a recent exchange between Zuckerman (2004b) and Zajac and Westphal (2004a), it is quite a bit more challenging to achieve a satisfactory synthesis when theories and explanations are intended to be integrative rather than simply additive. All of these authors see the prospect for sociological theory to improve upon prevailing economic accounts of financial markets. Zuckerman’s (2004a) analysis in the same volume argues that incoherent stocks – as indicated by their positions in the network of coverage by investment analysts – face interpretation problems which lead to greater volumes of trading and greater pricing volatility in response to new information relevant to those stocks. Zajac and Westphal (2004b) invoke institutional theory in general and decoupling in particular to explain the pattern of stock market reactions to announced stock repurchase plans, emphasizing those plans that were never actually implemented. Notwithstanding the common interest in some theoretical integration, the above-mentioned commentaries invoke questions about the need for a faithful representation of each base theory (Zuckerman, 2004b) and about how far certain basic economic assumptions can and should be stretched in order to achieve theoretical synthesis (Zajac & Westphal, 2004a). And note that this particular debate was waged between an economic sociologist and two organizational theorists. It would seem that it is easier to conclude that institutional variables add to the explanatory power of economic models than it is to determine how institutional theory might alter the way economists should build their models.

Before discussing the many challenges that impede a more satisfying theoretical
integration of these two perspectives on organizations, it is important to emphasize that some progress is being made. In proposing a nexus between institutional theory and organizational economics, Roberts and Greenwood (1997) proposed that these various institutionalisms be grouped into two broad categories of influence: pre-conscious and post-conscious. In this respect, they follow Jepperson (1991: 147), who stressed that ‘one may take for granted some pattern because one does not perceive it, or think about it [i.e., pre-conscious]; alternatively, one may subject the pattern to substantial scrutiny, but still take it for granted ... as an external objective constraint [i.e., post-conscious].’ Similarly, Aldrich and Fiol (1994) suggested that the institutional environment delivers two distinct types of legitimacy: cognitive (i.e., pre-conscious) and sociopolitical legitimacy (i.e., post-conscious).

A review of the organizational research published in the last fifteen years reveals an important stream that integrates insights from institutional theory into strategic approaches that, while not explicitly economic, draw heavily from economics. Consider Oliver’s (1997) article that integrates institutional theory and the resource-based view of the firm. This begins to think about organizational heterogeneity as being driven in part by the institutional forces that (differentially) condition resource accumulation processes. Deephouse (1999) similarly introduces institutional factors into strategy research. Because legitimacy is something that should augment organizational performance, managers must weigh the costs and benefits of being different against the gains associated with conforming to institutionalized industry practices. Also in this line of research is Krishnan, Joshi, and Krishnan’s (2004) attempt to integrate institutional theory and the resource-based view in an explanation of the pattern of merger activity. All of these articles elaborate the above-mentioned post-conscious institutional influences by showing how managers might augment organizational performance by actively managing aspects of their institutional environments. Invoking Suchman (1995), they are beginning to articulate how managers might gain, maintain and repair different types of legitimacy, which is itself a critical organizational resource, especially in industry settings wherein the dominant selection forces are not efficiency based.

These theoretical integrations actually fit nicely with an economic conception of rational, albeit constrained organizational actors. When there are forces in the external environment that make it costly or impossible to act efficiently, or if there are forces that favor objectives other than efficiency, then it makes sense that the constrained economic actors will make different choices. Failure to recognize these forces would produce accounts of organizational behavior that are under-specified. The problem is that institutional theory also claims that institutional forces take hold in predicting behaviors when actors are not expected to behave purposefully or rationally. This said, we have not seen many similar explanations of managerial choice in the context of pre-conscious institutional influences and constraints.

**PROSPECTS FOR FURTHER INTEGRATION**

The integration of organizational economics and institutional theory should be viewed among the broader set of efforts aimed at integrating economics and sociology. In the last fifteen years, sociologists have published a few articles in leading economics journals exploring the nexus of sociology and economics. While offering some hope for the future, Baron and Hannan (1994: 1140) observed that ‘economists looking for sociologists for insights regarding norms and institutions report considerable disappointment’ and that these same economists have a difficult time setting aside their long-standing
preference for efficiency-driven accounts of these norms and institutions. Podolny (2003) urged economists to make greater use of visual imagery in their theorizing and illustrates his point by showing how network sociologists have developed a more refined and realistic account of social capital than that currently being developed by economists. Granovetter (2005) elaborated this point by describing how social networks affect economic outcomes by influencing the flow and quality of information, the efficacy of rewards and punishments, and the development of trust among exchange partners. Both of these latter authors illustrate their main points with reference to several specific empirical projects that are situated at the nexus of economics and network sociology.

A review of these (admittedly few) articles reveals several things. That they were published at all indicates that there is at least a latent interest within the economics profession in how different sociological approaches might inform or elaborate economic analysis (Baron & Hannan, 1994). However, that they are all commentary articles suggests that many of the potential impacts have not yet been explored or realized. Moreover, note that none of the sociologists invited to address the economics profession about possible contributions from sociology are institutional theorists, but rather ecological, network, or economic sociologists. This latter observation may be due to several reasons. First, as suggested earlier, economic approaches to organizations are subsumed under the broader heading of institutional economics (Roberts & Greenwood, 1997). As a result, the economics profession already has a subfield that studies institutional influences on economic behavior. Although the potential contributions from the sociological variant of institutional theory are broader than those currently found within institutional economics, the placement of the latter camp within economics might hinder the field’s ability to perceive them. As (possible) evidence of this, note that in a recent comprehensive review of institutional economics, Hodgson (1998) made reference to just a handful of sociologists (including Wayne Baker, James Coleman, Anthony Giddens, Mark Granovetter and Harrison White), all noteworthy contributors to sociological theory, but none considered central to the development of the sociological variant of institutional theory.

A second reason might relate to the different approaches to (especially empirical) research between network, ecological and economic sociologists and their institutional counterparts. The sociological variants represented in the above articles tend to pursue deductive theorizing to set up quantitative analyses of the predictions that result. On the other hand, institutional theorists, especially those working on Scott’s (1995) cognitive pillar, tend to pursue more inductive qualitative research agendas. For example, consider Zilber’s (2006) analyzes the discourse surrounding the high technology sector in Israel to explore ‘institutionalization as translation.’ In a similar vein, Suddaby and Greenwood (2005) analyze the ‘discursive struggle’ that ensued between proponents and opponents of a new organizational form that sprang from an attempt to merge an accounting firm with a law firm. That these qualitative approaches are not widely accepted in the economics profession (Hirsch, Michaels, & Friedman, 1987) might speak to the under-representation of certain strands of institutional theory in these calls for greater appreciation of the sociological contributions to economic research. In this respect, note the conclusion that Hodgson (1998) reached about the demise of the ‘old institutionalism’ within economics:

old institutionalism was partially disabled by a combined result of the profound shifts in social science in the 1910–1940 period and of the rise of a mathematical style of neoclassical economics ... With their use of formal techniques, mathematical economists caught the imagination of both theorists and policy makers. In comparison, institutionalism was regarded as technically less rigorous, and thereby inferior. (1998: 167)
This suggests that the lack of (potential) appreciation for the more cognitive institutional approaches is rooted in some antagonism toward the type of research that these latter scholars tend to pursue.

The third possible reason for the relative neglect of institutional theory is more subtle. If one stops to consider the purported contributions of ecological, network, and economic sociology to mainstream economic approaches, one might conclude that institutional sociology can have an important indirect influence. Within organizational ecology, legitimacy has emerged as an important complement to competitive effects as a driver of organizational vital rates and therefore industrial evolution. This is clearly evident in the now standard density-dependence predictions (Carroll & Hannan, 1999). Whereas organizational sociologists have staged heated debates about exactly how legitimacy should be framed and measured (Baum & Powell, 1995; Hannan & Carroll, 1995), one sees a potential contribution of institutional theory to economics channeled through the latter’s potential synthesis with organizational ecology (Geroski, 2001). Similar conclusions may be made about the contributions of institutional theory through network and economic sociology. The former group tends to channel important institutional concepts such as norms (Portes, 1998), while the overlap between economic sociology and institutional theory is well documented (Fligstein, 2001). That institutional theory informs these other sociological perspectives, which are in turn being called upon to refine economic approaches, indicates potential for an indirect integration of institutional theory and economic approaches to organizations.

All comments about potential notwithstanding, it would be safe to say that economists have not yet embraced the main tenets of institutional theory as they develop their accounts of market and organizational phenomena. Be it due to a categorical oversight (i.e., ‘we already study institutions’) or a lack of appreciation of the typical institutional mode of analysis (i.e., ‘we do not appreciate qualitative analysis’), this leaves the prospect of important organizational issues being under-theorized. Even worse, it may cause scholars working from the different perspectives to offer fundamentally different explanations for what may be exactly the same phenomena. Consider the case when a researcher observes that the probability that an organizational actor ‘does x’ increases with the number of prior actors who have ‘done x’ in the past. To an institutional theorist, this seems like evidence of cognitive legitimacy. The local prevalence of a given practice causes it to become institutionalized and therefore taken for granted.

Now consider the more recent explanation of ‘informational cascades’ (Bikhchandani, Hirshleifer, & Welsh, 1992). According to these economists, cascades are observed when, based on the observations of choices made by others, an actor makes the same choice regardless of her own private information. On the surface, it seems like economists are embracing the density-driven legitimacy processes channeled through organizational ecologists from institutional theory. However, in these models of informational cascades, there are no such legitimation processes. Rather, this actor is actually behaving rationally and what the economists are observing is called a ‘rational herd’ (Banerjee, 1992): Even when all actors collectively have overwhelming information in favor of the ‘correct’ course of action, each actor may still take the ‘wrong’ action. We see within economics the recognition of something that is clearly a density-dependent process. We also see the potential for the two groups of scholars to collaborate on a more meaningful and nuanced account of this observation. In the end, however, economists tweak the basic rational actor model and refuse to recognize the cognitive institutional influences that might be operating.

The resulting stalemate reflects back to the basic tension inherent in any integration of economics and institutional theory. The latter group seeks to elaborate the externalized
social constraints that impinge on the agency of actors (i.e., cognitive legitimacy), while the former seeks to develop more nuanced accounts of the inherent rationality of those actors (i.e., rational herds). The problem is that both accounts cannot be simultaneously correct. If actors are reflexively adopting the more prevalent ‘x’ because it has become taken for granted then they are not forming and updating assessments based on the balance of private and public information. One way to make progress on this front is by conducting detailed examinations of the decision-making processes that are actually adopted by the focal actors. The problem here is that we are taken back to the above-mentioned ambivalence among economists toward the outcomes of such qualitative or interpretive empirical exercises. There is simply no shared appreciation of the more qualitative research approaches that would help determine whether and how legitimation might be shaping the decision-making inside the information cascades.

Scholars working toward an improved understanding of the organizational phenomena should not strive to lay down overlapping and inconsistent accounts of the same things. Rather, they should strive to develop more synthetic and more reasonable accounts of these phenomena. One way to make progress is to follow the advice of Zuckerman (2004a, 2004b) and take seriously the idea that actors seek to, and in many cases do, behave rationally and then call on sociological explanations to explain behavior that sits beyond the bounds of that rationality. In this respect, note what happens when organizational researchers adopt the more synthetic approach. Rao, Greve, and Davis (2001) conducted an analysis of information cascades in the context of stock analysts’ decisions to cover certain firms. While they find evidence of mimetic behavior in the context of coverage decisions, they are careful to understand the extent to which their results imply that ‘actors are cognitive dopes rather than cognitive misers’ (2001: 502). In the end, by examining the full range of adoption, evaluation and abandonment decisions on the part of the analysts, they are able to offer a more nuanced account of when otherwise rational actors are made passive in the face of institutional pressures, and when their accumulating knowledge and information allows them to adjust their behaviors more purposefully.

WHERE IS THIS HEADING?

If one casts the integration issue as a simple debate between whether organizational actors are rational or are passively shaped by prevailing institutional forces, then there is little hope for progress toward integration. The good news here is that – as suggested in several places in this chapter – several scholars are moving past the simplest of polemics by modeling organizational actors as being purposeful within institutional constraints. Oliver (1991), Deephouse (1999) and Suchman (1995) are developing accounts of how managers seek to accrue legitimacy by actively managing post-conscious institutional constraints, while Rao et al. (2001), Zuckerman (2004a) and Zajac and Westphal (2004b) are incorporating different institutional elements into prevailing economics accounts of how stock markets actually operate.

This said, further progress along these lines may not be as smooth as some would like. Problems in developing a more productive synthesis will inevitably arise from underlying tensions between the ‘culture of economics,’ the ‘culture of institutional theory’ and the ‘culture of the integrative domains.’ What is ultimately required is an agnostic blending of the irrational and the rational elements of organizational issues. However, whereas economists are becoming more open to the prospects of constraints operating on rationality (witness the rise of behavioral economics), they are less interested in approaches that begin with the notion that the majority of observed
organizational behavior sits outside the purview of rational calculus. We require an agnostic blending of a respect for social structural constraints on action with the notion that organizational actors strive to be, and indeed can be quite purposeful at times. In this respect, institutional theorists are too often skeptical of research that adopts the latter orientation. All told, fundamental tensions between the core disciplines may retard the development of a productive synthesis within either mainstream economics or sociology journals.

This leaves journals devoted to organizations and strategy as outlets for integrative research. However – and especially in respect of work that addresses the pre-conscious institutional influences – we require research that embraces both goal-directed action and genuinely emergent organizational outcomes. Whereas organizational research is amenable to finding some balance between rational and (seemingly) irrational bases of action, it has a bias toward studying problems faced by managers and a concomitant tendency to speak to how individual actors might ‘effectively manage’ their institutional constraints. This bias may push integration attempts away from effectively addressing the pre-conscious influences that emanate from the taken-for-granted elements in the institutional environment. Note in this respect that organizational ecologists once had a hard time convincing managerial audiences (and therefore journals) that most organizational change occurs through selection and not purposeful adaptation. They therefore published much of their early research in sociology journals. Institutional theorists who are working Scott’s (1995) cognitive pillar might have a similarly hard time getting these same audiences to accept the premise that managers ‘tend to do x because they really don’t know any better.’

Consider also that as the more economic-oriented, institutional and organizational scholars begin to find common theoretical ground, they will increasingly face pressures to conduct and interpret empirical research that speaks to the emerging integrative insights and explanations. Here, economists’ preferences for deductive theorizing leading to archival studies that validate predictions will come up against institutional theorists’ preferences for qualitative research that captures the salient nuances of prevailing institutional environments. Without recourse to common methodological, the groups run the risk of speaking and theorizing in more similar terms while observing and drawing inferences from the organizational world in incompatible ways. We have seen this in the institutional theorists’ discomfort with an exclusive reliance on measuring cognitive legitimacy with counts of the number of organizations adopting a given organization form or practice (Baum & Powell, 1995; Hannan & Carroll, 1995). These concerns were countered by claims that more nuanced approaches do not lend themselves to the generalizability that more positivist scholars seek (Hannan & Carroll, 1995). It is also evident in similar concerns about using period dummy variables to account for varying institutional influences. While the justification for the expected period effects may be strong and drawn from the kind of contextual knowledge favored by institutional theorists, the context-specific interpretation of these period effects also tends to limit generalizability while suppressing the richness inherent in the underlying data.

If one of the latent impediments to a more satisfying integration of institutional and economic theorizing relates to different preferred modes of empirical analysis, then there may be some hope for further advances. We are beginning to see developments on the empirical front by ecological, network and economic sociologists who are conducting empirical work in a manner that is quite acceptable to those trained in economics. By capturing institutional ideas in network models and methods, or institutional constructs with variables that are amenable to large-scale archival analysis (without recourse to idiosyncratically explained, or...
history-specific period effects) these scholars are at least challenging economists to think differently about the organizational and market phenomena that they are wont to study. This said, the concern among institutional theorists is that even these approaches are not sufficiently nuanced to capture the relevant details of prevailing institutional environments. What we need are large-scale archival techniques that also allow researchers to capture and model the nuance and detail of institutionally-relevant data. In this respect, recent developments in text and discourse analysis may offer potential for a more effective empirical synthesis. Mohr (1998) summarized the many techniques available to those trying to discern and interpret patterns from text-based data or from verbal protocols. These approaches aim to be faithful to the richness of the sources from which meaning structures are derived and to offer interpretations of the observed structures that are themselves generalizable. As such, they offer one means to bridge the qualitative-archival divide that currently separates institutional and economic researchers. An excellent example of this kind of work is Hsu’s (2006) analysis of evaluative schemas in the U.S. film industry. By analyzing text extracted from a large number of movie reviews published over many years, she is able to offer insights about how variance in the structure of these reviews (predictably) influences observed market behaviors. Assuming that more empirically-oriented scholars are prepared to spend the time and effort that is required to assemble such detailed datasets, and assuming that they are willing to maintain a proper balance between preserving the nuance found in the underlying institutional data while seeking theories, and explanations that are generalizable to other contexts, these techniques offer the promise of more integrative empirical research to complement any emerging synthetic theories.

In closing, let me stress that the integration of economics and institutional theory must progress at a healthy pace. This is due to the simple fact that boundedly rational organizational actors do behave purposefully, and they do act and make choices within institutional contexts, where much is taken for granted and where external pressures do render certain otherwise efficiency-enhancing options unattractive. The real question is not whether these statements are true, but rather how these actors go about reconciling the different inducements and constraints to generate the outcomes that organizational scholars are then called upon to observe and explain. It would be sad (even ironic) if we were unable to tap the collective rationality of these two scholarly communities because of our failure to examine those things that we inefficiently take for granted, or because we fail to appreciate and overcome the powerful external forces that constrain the operation of our respective scholarly communities.

ACKNOWLEDGMENTS

The author would like to thank Royston Greenwood and Christine Oliver for guidance and feedback that led to improvements in this chapter.

NOTES

1 Moreover, the prospective mediating group – the organizational ecologists – would be content with the empirical generalizability of evolution and change as a density-driven process.

2 Blinder (Blinder, Canetti, Lebow and Rodd, 1998) is one economist who sought to gain some empirical traction in this manner. Growing frustrated by a growing number of competing and theoretical explanations for price stickiness, he set out to survey those who actually set prices in order to determine what they actually consider when setting prices.

3 In a similar manner, Ahmadjian and Robinson (2001) propose that rational and institutional influences can operate on different aspects of the same phenomenon. In an analysis of organizational downsizing, they show that economic factors account for
whether downsizing occurs but that institutional theory is required to account for the pace at which it occurs.

REFERENCES


