

# New Forms as Settlements

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## INTRODUCTION

A challenge facing neo-institutionalism is to detail how pre-existing institutional conditions and alternative institutional projects influence the creation of new organizational forms. We build on the idea that varying degrees of contention underlie the construction of new forms, and suggest that a settlement or truce has to occur among contending parties for the new organizational form to gain a foothold. We develop a model of how asymmetries of power among the contestants and incompatibility among their proposals shape the nature of the settlement, and its durability. We discuss when asymmetries of power among contestants are high or low, and when ideological compatibility among the proposals is high or low, and present a matrix of possible settlements. We illustrate the framework by drawing on examples and discuss implications for institutional theory and organizational ecology.

The institutional perspective proposes that new organizational forms arise when actors with sufficient resources see in them an opportunity to realize interests that they value highly, but first they must legitimate the theory and values underpinning the form

(DiMaggio, 1988: 18). In this perspective, institutional projects can arise from organized politics or social movements, and in the case of the former they resemble the latter to the extent that resources and interests are not fixed and the rules governing interaction are contested (Fligstein, 2001). A few studies have shown when and how new organizational forms and industries are spawned by social movements and entail varying degrees of contention (Davis and McAdam, 2000; Rao, Morill and Zald, 2000; McAdam and Scott, 2005).

Recently, organizational ecologists have suggested that an organizational form is a taken-for-granted category with default conditions that define membership such that violation of these conditions is penalized by audiences (Hannan, Pólos, and Carroll, 2007). Thus, an organizational form is an externally enforced identity composed of diagnostic elements and the expected (and thus, rewarded) values on these elements (Pólos, Hannan, and Carroll, 2002). These diagnostic elements cohere to form a code of conduct which is enforced by consumers, critics and other audiences.

So a challenge is to reconcile the political process by which organizational forms are

constructed with their existence as socially coded identities. Put another way, how does conflict and contestation culminate in a code? Therein, lies the motivation for our chapter. We propose that forms have to be first constituted as settlements – that is agreements have to be negotiated among parties before new forms can be institutionalized as codes. A settlement is a set of understandings and expectations about a form that are shared among internal and external audiences. Settlements become codes only when these understandings and expectations become default conditions of membership, and are enforced by external and internal audiences.

We visualize a process wherein coalitions of institutional entrepreneurs champion proposals, that is intended projects that concretize the strategic intent, vision, and goals of the promoters. When different coalitions promote competing proposals, the construction of a settlement becomes a political process in which asymmetries in the power of the various coalitions become critical. In particular, the size of the coalition, its ability to mobilize additional resources, and its power to frame become decisive. We develop a model of how asymmetries of power among the contestants and incompatibility among their proposals shape the nature of the settlement, and argue that settlements become institutionalized into codes of conduct with varying levels of durability and enforceability. We discuss when asymmetries of power among contestants are high or low, and when ideological compatibility among the proposals is high or low, and present a matrix of possible settlements.

We suggest that settlements have different levels of durability and enforceability as these two parameters vary. New forms do not move from conflict to settlement to code in two distinct leaps – instead, the process is more incremental and gradual. In this sense, conflict and code are two ends of a continuum with the settlement as an intervening precondition for the emergence

of a code. We illustrate our classificatory endeavor with four distinct cases that illuminate the four alternative settlements represented by our framework.

## NEW FORMS AS SETTLEMENTS

Stinchcombe (1968: 194) asserts that the entrepreneurial creation of new forms ‘is pre-eminently a political phenomenon’ because support has to be mobilized for the goals, authority structure, technology, and clients embodied in the new form. In some cases, resource spaces unoccupied by other forms may exist, or, at least, have the potential to be created, but the existence of such unfilled resource spaces does not mean that the resources are ‘free floating’ and thus easily available to potential entrepreneurs. Rather, entrepreneurs have to assemble resources, legitimate the new form, and integrate it with the prevalent institutional order. In other cases, resource spaces for a new form may not exist, and entrepreneurs have to construct these spaces by defining opportunity, identifying distinctive resources, and prying them away from existing uses. Since entrepreneurs are trying to convince others to go along with their view, the formation of new industries and forms resembles social movements (Fligstein, 2001).

Social movement theorists propose that institutional entrepreneurs can mobilize legitimacy, finances, and personnel through the use of frames (McAdam, McCarthy, and Zald, 1996). Frames define the grievances and interests of aggrieved constituencies, diagnose causes, assign blame, provide solutions, and enable collective attribution processes to operate (Snow and Benford, 1992: 150). Thus, frames are theories that justify an organizational form – an incarnation of goals, authority, technology, and clients, as indispensable, valid, and appropriate. In ‘much the same way that pictures are framed, questions and actions are framed, and the context in which they are viewed and discussed

determines what gets done ... Setting the context is a critical strategy for exercising power and influence' (Pfeffer, 1992: 202). In our case the framers are constructing a vision of the future.

Institutional entrepreneurs create frames by selecting items from a pre-existing cultural menu (Meyer and Rowan, 1977: 345; DiMaggio and Powell, 1983). Swidler (1986: 277) suggests that a culture is not a 'unified system that pushes action in a consistent direction. Rather it is more of a "tool kit" or a repertoire from which actors select differing pieces for constructing lines of action.' Douglas (1986) points out that bricolage is an important method by which entrepreneurs construct new cognitive models and formal structures. Thus, entrepreneurs can recombine elements from existing repertoires through imitation, or consciously revise existing models on the basis of their training in other organizations. An undercurrent of these studies is that there are a number of alternative institutional projects that are proposed in a given situation and projects win out by a political process and constitute an institutional settlement (DiMaggio, 1991).

### **MULTIPLE FRAMES AND CONFLICT: THE INSTITUTIONAL VIEW**

Politics becomes obtrusive when an unfilled resource space 'calls forth and permits a range of definitions of the situation' (Zald and McCarthy, 1980: 6), and when rival coalitions of issue entrepreneurs champion incompatible frames. Even as entrepreneurs may draw on a generalized Western cultural account (Meyer, Boli, and Thomas, 1987) and justify their actions on the basis of the widely-accepted myths of progress and justice, there is a wide scope for conflict over the practical implications of the Western cultural account in the construction of new organizational forms. In one of our four cases, fundamental 'American' values of the

independent businessperson and intrepid entrepreneurs clash with the ideology of governmental non-interference in the marketplace. In yet another of our cases, the contradictory French cultural values devolving around tradition and progress provide the fuel for contestation in the world of gastronomy. Rather than a clash of tectonic plates, we have long-running skirmishes where the frames presented suffer from inconsistencies and difficulties. Which frame and its organizational embodiment should be chosen to define and organize an activity is a political question. Friedland and Alford (1991: 240–242), capturing the swirling nature of this creative process, propose that the creation of new organizational forms unfolds at three levels of analysis, with 'individuals competing and negotiating, organizations in conflict and coordination, and institutions in contradiction and interdependency ...' We conceive of these levels of analysis as 'nested,' where organization and institution specify higher levels of constraint and opportunity for individual action.

When multiple frames and forms vie with each other, why one form is chosen and why other roads are not pursued hinges on larger constellations of power and social structure (Brint and Karabel, 1991: 346). In cases where the criteria for a good technical solution are contested, political and institutional processes shape not only what organizations can do, but which organizational form can exist (Powell, 1991: 186–187). Thus, the scope of the form, that is the goals, authority structure, technology and clients embodied in the form, are outcomes of contending attempts at control and competing quests to impose a preferred definition of the identity of the constituencies that benefit from the form. Struggles to produce new meanings and new social structures are, therefore, motors of social change in societies and these tussles unfold in an organizational field where the state and the professions play an important role (DiMaggio and Powell, 1983).

### ***Organizational forms as codes: the ecological view***

As noted earlier, organizational ecologists define an organizational form as an externally enforced identity composed of diagnostic elements and the expected (and thus rewarded) values on these elements (Pólos, Hannan, and Carroll, 2002; Hannan, Pólos, and Carroll, 2007). Two features of this definition are noteworthy. First, by requiring organizational forms to be collective identities in the eyes of audience members, it lets the organizational form be defined in society independently of any specific instance of it. Second, audience members examine only diagnostic elements, and ignore cultural elements that are common across organizational forms and so do not identify them as distinct categories. Hence the existence of common organizational elements such as shared institutions does not disprove form distinctiveness, it just means that distinctiveness has to be found elsewhere.

The ecological view of organizational forms as identities that need to conform to social codes not only emphasizes distinctiveness but also highlights consistency. Some studies contend that organizations which seek to straddle multiple categories suffer from inconsistent identities and code conflicts. Carroll and Swaminathan (2000) showed that since craft brewers were deemed to be authentic when they were small and used traditional artisanal techniques, contract breweries that sourced beer from others but sought to portray themselves as craft beers could not mobilize support from consumers, and so had lower founding rates than microbrewers and brewpubs. Zuckerman and Kim (2003) demonstrated that films classified as major films fared well in the mainstream market but floundered in the art-house market, and Zuckerman, Kim, Ukanwa, and von Rittman (2003) showed that movie actors who focused on a single genre were more likely to get work in the same genre. However, Rao, Monin and Durand (2005) found that the boundaries between classical

and nouvelle cuisine weakened as high-status chefs in one category borrowed techniques from the rival category, and that attendant penalties from critics also diminished as borrowing became rampant.

### ***The architecture of settlements***

Thus, if institutional researchers place importance on conflict as antecedent to the construction of organizational forms, and organizational ecologists stress consensus which takes on a code-like character as the precondition for organizational forms, how can these seemingly opposed viewpoints of institutionalists and ecologists be reconciled? We take a first step and suggest that institutionalists and organizational ecologists focus on different sub-processes in the creation of organizational forms: the early sub-process of conflict is followed by the second sub-process, namely, the construction of settlements, and then the final phase of codification.

In short, we propose that organizational forms first have to be constructed as settlements, and then institutionalized as codes. New organizational forms do not move from conflict to settlement to code in two giant leaps – instead, the process is gradual and incremental. One also ought not to think of institutionalization as an on-off mechanism; instead, it makes more sense to think of new forms as being institutionalized, and existing forms also being *de*-institutionalized (Oliver, 1992). So institutionalization advances and recedes, and increases and decreases over time. Conflict triggers the *de*-institutionalization of existing forms and is precursor to institutionalization of new organizational forms. The institutionalization of organizational forms is not an all-or-nothing proposition; instead, organizational forms, like other social patterns, can be more or less institutionalized (Tolbert and Zucker, 1996; Zucker, 1988).

Our starting point is Nelson and Winter's (1982: 109–111) proposal that intra-organizational routines become *operative*

only when there is a comprehensive truce or settlement, or when there is a cessation of conflict among members of an organization. Following Rao (1998), we contend that boundaries of a new organizational form become established and the new form becomes integrated into a community of organizations only when there is a truce among the constituents of the organizational field about which frame is used to organize activities. Like settlements among nations, settlements among rival institutional entrepreneurs can also be unequal, with some able to capture a privileged position for their frame, which allows them a larger share of any benefits derived from the settlement.

Settlements increase the capacity for collective action by reducing comprehensiveness; often some points of view are ignored or suppressed. The terms of a settlement among rival institutional entrepreneurs can never be completely explicit, thus the maintenance of settlements depends upon the disincentives for actors for engaging in provocative actions and

the monitoring defensive alertness of parties keen on preserving the status quo. As a result, just like intra-organizational routines, organizational forms are 'confined to extremely narrow channels by the dikes of vested interest. Adaptations that appear "obvious" and "easy" to an external observer may be foreclosed because they involve a perceived threat to the ... political equilibrium' (Nelson and Winter, 1982: 111). These dikes are the construction, conscious and, sometimes, unconscious of the beneficiaries of the settlement.

The proposals championed by contestants can be thought of as Simonian sub-assemblies that vary in terms of their ideological compatibility. The relationships among contestants may be asymmetric if one or a few of them has greater power due to their size, their ability to mobilize resources from constituencies and allies, and framing skills. Below, we outline the matrix of possibilities and concomitant examples in Table 13.1.

Table 13.1 suggests that when all the parties interested in solving a problem champion

**Table 13. 1: Settlement Types and Codification**

		Ideological Compatibility of Proposals	
		Low	High
Asymmetry of Power	Low	<p>Quadrant One "Something for Everyone" Example: Small Business Investment Corporations Prognosis: Brittle, low likelihood of evolving</p>	<p>Quadrant Two "Patchwork of Different Flavors" Example: French cuisine Prognosis: Evolving, uneven codification</p>
	High	<p>Quadrant Three "Imposition by Dominant Actor" Example: Consumer watchdog groups Prognosis: Durable as long as dominant form backers retain power, medium likelihood of codification</p>	<p>Quadrant Four "Integration" Example: California thrifts Prognosis: Extremely durable, high likelihood of codification</p>

incompatible proposals and none of them is powerful enough, the resulting settlement is a negotiated outcome that is fragile and likely to be breached (Cell 1). Indeed, one can even think of the settlement being de-institutionalized. A compelling example was the creation of small business industry corporations (SBICs) in America. By contrast, when the parties champion compatible proposals and none of them is decisively powerful, then the resulting settlement may be characterized as the pooling of these sub-assemblies (Cell 2). The resulting patchwork of a settlement is also fragile because parties may be jostling to appropriate benefits at the expense of other parties. Here again, settlements can be de-institutionalized. We draw on Rao, Monin and Durand (2003, 2005) to chronicle how classical and nouvelle cuisine, which were initially opposed to each other became compatible, and given that no one coalition was dominant, chefs began to blend classical and nouvelle cuisine. In Cell 3, the settlement is the outcome of imposition because there is asymmetric distribution of power, and one of the parties can impose their proposal on the others. We lean on Rao (1998) to analyze how Consumers Union sought to promote the model of non-profit watchdogs as radical critics that evaluated products and the working conditions that they were made under, and how it was hammered into place by Consumer's Research and its supporters, who promoted the idea of a watchdog as an impartial critic rather than as a radical advocate. Finally, in Cell 4, integration is the likely outcome since the proposals are compatible, and even if one party has decisive power, there is little cause for ideological disagreement. We draw on Haveman and Rao (1997) and Haveman, Rao and Parachuri (2007) to discuss how alternative proposals about how to organize thrifts were blended into a hybrid form – the Dayton/Guarantee stock plan during pre-Depression America due to the influence of the Progressive movement.

It is important to note that these cells are not absorbing states. In principle, settlements can move across quadrants; so, for instance,

what was a patchwork in Cell 2 can transit into Cell 4 and vice-versa. Our goal is not to propose an irreversible stage model, but instead to think of settlement activity and, by implication, codification as advancing and receding processes rather than binary, on-off mechanisms.

The remainder of the chapter is devoted to giving an illustration of each of the four cells, and then discussing the framework. Below, we outline how the construction of the SBIC form was an example of a fragile settlement that eventually dissolved because of the lack of power the contestants had over each other and the incompatibility of the goals that were coalesced into the SBIC form.

### **QUADRANT 1: SOMETHING FOR EVERYONE: THE CASE OF SBICS**

The undeniable pain experienced by small businesses during the Great Depression in conjunction with serious concerns about the changing nature of the U.S. political economy made the problem of how to provide capital to small business into an important political issue. In the firmament of American ideological heroes the 'small businessperson' evokes images of Jefferson, Tocqueville, and Horatio Alger. Helping small business was an ideal ideological weapon for Democrats supporting government intervention in the economy. They could propose legislation to support small business, thereby posing dilemmas for conservative Republicans opposed to government economic intervention.

Federal support for small business is not a simple case of an interest group appealing to politicians for relief, because small businesses were not organized into a coherent social group with a distinct identity, and therefore were never directly represented (Kilgore, 1938; Ziegler, 1961). Conservative Republicans reflexively opposed governmental assistance to small business. Ideologically, they were strong supporters of 'free enterprise,' so they were constantly exposed to the uncomfortable political

question of opposing an icon of free enterprise: small business.

The four key actors in the discussion about providing financial assistance to small business were: two industry groups, commercial bankers and investment bankers, and two socio-political groups that we term the populists and the Schumpeterians. From the political settlement between these four groups would come a nominally single organizational form, the SBIC, that in actuality consisted of three related but different manifestations. Each actor understood the problem differently, even to the point of defining the small businesses worthy of financial support differently and therefore the favored mechanism for delivering support differed. An additional actor, the independent venture capital firm, emerged immediately after World War Two, was outside the initial settlement, but was a factor in the settlement's eventual collapse.

Each group had different interests and goals to further, and championed different proposals. The commercial banks wanted to prevent the government or government-funded entities from competing with them to provide short-term loans to businesses. They also coveted the right to own equity in industrial corporations and undertake the investment banking functions that they had lost with the passage of the New Deal Glass-Steagall Act. The investment bankers wanted to ensure that businesses raised capital through them and to loosen SEC regulations on stock market listing. Their main goal was to prevent the government from providing capital in such a way as to circumvent the need to list on public markets. The populists were strongly represented in Congress, though, as a group, they were not monolithic. Their goals were conceptually clear, i.e. provide government support for small business, while their policy prescriptions were diverse and disconnected. They could act forcefully: For example, in the 1930s they mandated that the Reconstruction Finance Corporation provide loans to small business, which it did grudgingly.

The Schumpeterians consisted of elite East Coast businesspersons and educators

who believed that the small businesses worthy of support were those capable of growing to be large corporations. The problem was a shortage of venture capital (Liles, 1977). Given this shortage, they reluctantly favored government programs to subsidize investors, but they fervently believed that these investments would be profitable. They envisioned small technology-based firms forming the seeds for industries capable of creating the jobs of the future. For them, the new Horatio Alger would be the technically trained entrepreneur. The investor would be a specialized funder of new firms, the venture capitalist.

During and immediately after World War Two, a number of plans for providing financial support to small business were floated. There was also private sector experimentation in providing capital to small business. In 1946, the first venture capital firm, American Research and Development (ARD) was formed in Boston as a closed-end investment fund and raised capital through a public stock offering (Hsu and Kenney, 2005). Simultaneously, three venture capital firms funded by wealthy New York families were formed. Also, some banks established units to provide loans to small businesses, though they quickly retreated. The four small venture capital firms continued to operate, and received much publicity, but had little overall impact on small business or new firm formation.

The Republicans gained control of both Congress and the White House in 1953 and abolished the Depression Era Reconstruction Finance Corporation (RFC), which had been a favorite of Democratic legislators, and had a mandate to fund small firms, among its many other duties (Bean, 1996; Ziegler, 1961). To secure sufficient support for the RFC closure and protect themselves from the political attack, the Small Business Administration (SBA) was created. To counter populist criticism of the SBA's performance, the Administration commissioned studies by the Hoover Commission in 1955 and by the Council of Economic Advisors in 1957, both of which found no significant

capital shortages for small business. Despite these study results, the populists were able to frame an issue to the public, i.e. a lack of funding for small business requiring a solution.

The populists in Congress continued to pressure the Administration. In 1957 the House Small Business Committee requested that the Federal Reserve, which was sympathetic to their position, conduct a study of the credit needs of small business. In April 1958, the Federal Reserve Board study suggested that funds were needed for financing new firms and the expansion of existing firms. This is a subtle shift, whereas the populists wanted loans for small businesses, the report supported the Schumpeterians. The political situation also changed. The economy was sinking into recession, and with midterm elections approaching the Republican majority was concerned, so the Administration decided to support legislation. A final settlement to the long debate was at hand.

### ***Something for everyone***

Six Senate bills were introduced to assist small businesses in obtaining financing. The ABA, which had opposed the formation of the SBA, favored using existing state and local development corporations as the funding vehicles for small businesses. The commercial banks wanted a waiver from the Glass-Steagall Act so that they could invest in firms. The Investment Bankers Association did not take an official position, but Edward T. McCormick, President of the American Stock Exchange, testified that he supported publicly-listed, closed-end investment trusts to provide venture capital. The four existing venture capital firms did not testify, but the Schumpeterians, as represented by the Committee for Economic Development, supported the bill (Anglund, 2000: 64). On August 21, 1958 the Small Business Investment Act was ratified.

None of the contestants had a decisive edge over the others in terms of size, ability to mobilize or to frame. So all the protagonists received their wishes. The Act authorized

three organizational forms and financial support for an already existing form. There was a bank-based SBIC, an SBIC that raised capital on public markets and operated as a closed-end fund, a privately owned SBIC that received low-interest federal matching loans, and existing industrial development corporations could receive federal monies. The legislation was an amalgam of proposals with little direction and ambiguous goals. Was it meant to provide loans to existing firms or support startups? Would it be a venture capital program as the Schumpeterians hoped or a more general support program? There were no guidelines, restrictions on the investment fields, or the requirements in terms of the skills, capabilities, or rectitude of the license applicants. In effect, any group of investors with \$150,000 or more was able to borrow low-cost, guaranteed Federal funds.

Though sanctioned by Congress, the SBICs had to construct legitimacy. With the vague enabling legislation, the organizational forms would be defined in practice. As creations of Congress, only four months after the SBIC Act was signed into law an industry association, the National Association of SBICs (NASBIC) was formed. Fortunately, there was a bull stock market from 1959 through early 1962, and investors were receptive to the initial public stock offerings of the public SBICs. In July 1960, *The New York Times* described the situation aptly: 'Wall Street, seldom swift to bestow its affections, has found a new darling – the small business investment company (Kraus, 1960: 1). There was a wave of new SBICs attracted by the promise of easy capital gains. Legitimacy appeared to be guaranteed.

The positive appraisal of the SBICs' quest for legitimacy changed in 1962, as a stock market downturn surprised the public SBICs. Unfortunately, as closed-end funds, investor disenchantment led to their valuations being so depressed that they attracted corporate raiders. The result was that they were either acquired and liquidated or their managers turned in their SBIC licenses. The bank-affiliated SBICs, though professionally run, also were troubled. Many banks owning the



SBICs were disappointed because their bank connections did not provide many good investment opportunities. The SBICs were difficult to administer because the skills necessary for finding and making a good loan differed sharply from finding and developing a good investment (Hayes and Woods, 1963: 19). Many of the bank SBICs became inactive.

The private SBICs were most numerous. And yet, they were plagued by inadequate capital, inexperienced management, and a lack of connections necessary for a high-quality deal flow. They invested in a wide number of areas including real estate, distribution, wholesale grocery operations, and many others. By 1963 it was apparent that the Program had attracted unscrupulous individuals. Investigations found that 'nine out of ten SBICs had violated agency regulations and dozens of companies had committed criminal acts,' thereby threatening the program's legitimacy (Bean, 2000). In 1964, the SBA instituted a 90-day hiatus on issuing new licenses as it decided to reorient the program to stress 'venture capital investing as opposed to real estate and secured lending' (SBIC Evaluation Service 1964: 1).

In 1966, Congress gave the SBA enforcement authority to investigate conflicts of interest; to fix legal responsibility on the officers, directors, and agents of unlawfully operated SBICs; and to levy stiff penalties and fines. The effort to end fraud made the SBIC Program increasingly bureaucratic and constraining. The proliferating regulations and reporting requirements prompted the most successful SBIC operators, the ones practicing venture capital, to consider leaving the Program (SBIC Evaluation Service, 1966: 5).

In 1964, the Small Business and Venture Capital Associates (SBVCA) was formed with a board of directors representing the Schumpeterian elite of the East Coast financial and private venture capital world. The SBVCA operated a center affiliated with the Committee for Economic Development to study the role of venture capital in funding

small business. In a 1967 report they concluded that the SBIC Program was replete with incompetence and even criminality and suggested measures that, were they enacted, would have ended the Program.

The malfeasance, the resultant increased federal regulatory oversight, criticism by venture capitalists outside the Program, and continuing experimentation with other organizational forms for venture capital investing threatened to destabilize the settlement. NASBIC was aware of the schism emerging between its members who were loan-oriented and those that were venture capitalists. The growing importance of the external venture capitalists prompted NASBIC to open discussions regarding representing them in Washington. This initiative met with little success, as the venture capitalists decided to create their own organization. The fragile settlement was now ready to collapse.

In the early 1970s, even while the SBIC Program continued to operate, a new organizational form, the private limited partnership, which was first used for a venture capital organization in 1958, became the dominant organizational form for the external venture capitalists. In April 1973 the National Venture Capital Association (NVCA) was launched. In their membership solicitation letter they stated that members must be venture capitalists 'investing private capital in young companies on a professional basis (SBIC/Venture Capital (1973: 3)).' The critical proviso was that members must invest private capital. The bank and publicly-owned SBICs not using Federal monies could join, while the private SBICs were unwelcome. The venture capitalists operating SBICs abandoned their SBICs, formed limited partnerships, left NASBIC, and joined the newly formed NVCA. The formation of the NVCA marked the end of the settlement achieved by the 1958 SBIC Act. The banks were the sole remaining significant venture capitalists for whom the SBIC Program was significant because they continued to be blocked by the Glass-Steagall Act from freely investing in firms.

The NVCA proved to be a stable settlement, as it was organized to represent private venture capitalists organized into the limited partnership, which was the result of a bout of organizational mimesis and soon jelled into the dominant organizational form for venture capital investing. The SBIC Program and NASBIC continued representing the remaining private SBICs and the bank SBICs, both of which were no longer significant players in the venture capital market, and the public SBICs disappeared completely.

## **QUADRANT 2: A PATCHWORK: DIFFERENT FLAVORS; FRENCH GASTRONOMY**

Below, we outline how French gastronomy featured two opposing categories – classical and nouvelle cuisine, each of which had an identifiable code of conduct and elements. Subsequently, we elaborate how the borrowing of techniques and ingredients breached the boundaries of both categories, and created a patchwork. In doing so, we heavily lean on Rao, Monin, and Durand (2003, 2005). The parties to the initial conflict and subsequent settlement were chefs belonging to the society of French chefs (Maitres Cuisiniers de France). Ratings agencies such as the *Guide Michelin* and *Gault Millau* also played a part, as did crusading journalists. The setting was the haute cuisine restaurants serving affluent customers. Since the differences between classical and nouvelle cuisine existed more in the press than the kitchen, both proposals were compatible. Moreover, neither classical nor nouvelle had a decisive political edge, so the outcome was a patchwork of many flavors.

The origins of classical cuisine are traceable to the French Revolution of 1789, which undermined the institutional logic of the *ancien regime* cuisine and the associated identity of the chef. In the *ancien regime*, meals were public spectacles organized according to hierarchy, and the chef was the property of a patron or noble. But, after the

French Revolution, chefs who once worked in the houses of private patrons offered their services to the public by establishing restaurants in Paris and its environs (Ferguson, 1998). Chefs and culinary journalists sought to systematize the principles of cooking in restaurants, and the most influential was Antonin Carême (1784–1833). Stressing delicacy, order, and economy, Carême brought symmetry to the service of meals, and introduced a new awareness of freshness and sanitation into the French kitchen. Carême's ideas quickly diffused throughout the kitchens of French restaurants (Ferguson, 1998) and were strengthened by a new breed of chefs such as George Auguste Escoffier (1847–1935) and his circle of collaborators. In his *Guide Culinaire* (1903) that remains a central text in the training of professional cooks even to the present day, Escoffier conceived of classical cuisine as codified grammar of culinary practice: *a product* can be *cooked* in different ways, *served* with different sauces and *accompanied* with different fillings. Escoffier's guide was issued in several editions, and remained as the dominant orthodoxy until it was undermined by the nouvelle cuisine movement.

In 1970 a group of young French chefs, led by Paul Bocuse, Michel Guérard, the Troisgros brothers, and Alain Chapel, invented a free-form style of cooking. Culinary journalists such as Christain Gault and Henri Millau christened their style as nouvelle cuisine, codified it, and postulated the Ten Commandments of nouvelle cuisine, and launched a culinary guide called *Gault-Millau*. Gault, Millau and other culinary journalists were theorists who depicted nouvelle cuisine as a challenge to the codification of Escoffier and as an anti-school valuing experimentation, autonomy, and innovation. Chefs at the vanguard of the nouvelle cuisine movement, such as Bocuse, Troisgros, and Chapel, aimed for simplicity and transparency of presentation. Nouvelle cuisine wanted the chefs to have a role in creating and inventing dishes rather than simply understanding the intentions of Escoffier.

In classical cuisine, the culinary rhetoric reveals the emphasis on conservatism and preservation. Often, dishes have the names of places, noblemen, or mythological characters associated with dishes. Neirinck and Poulain (1988) studied Carême's texts and found that nearly 213 dishes had names associated with noblemen. Moreover, cooking consisted of the application of two specific rules and associated techniques: conformation to the rules formulated by Carême and Escoffier, and sublimation of the ingredients such that the raw material is visually transformed. Fischler (1993: 238) summarized it as follows: 'The art of the cook consisted in accommodating, in transforming, in metamorphosing the raw material, to put it from Nature to Culture.'

By contrast, the culinary rhetoric of nouvelle cuisine emphasized innovation, and the appellations dished referred to poetry and imagination rather than place names or the names of nobles (Weiss, 2001: 233–234). Nouvelle cuisine relied on the rules of transgression and acclimatization (Fischler, 1993). Transgression consisted of using unconventional techniques; dishes mixing meat and fish, salads mixing vegetables and foie gras, or pot au feu featuring fish. Acclimatization was the import of exotic foreign cuisine techniques and ingredients, notably from Japan and the former colonies of France (Beaugé, 1999). The ingredients of nouvelle cuisine were fruits, vegetables, potatoes, aromatic herbs, exotic ingredients, sea fish. In summary, 'the object of the culinary arts is no more the metamorphosis of the food product, but the revelation of its essential truth' (Fischler, 1993: 238).

### ***A patchwork of different flavors***

Classical cuisine and nouvelle cuisine were not rigid orthodoxies but theories which could be appropriated by chefs (Ferguson, 1998). Indeed, culinary journalists such as Henri Gault and Christian Millau depicted Escoffier and classical cuisine as rigid, and portrayed nouvelle as an oppositional category. All chefs had to nominate three of their

dishes on the menu as signature dishes – which telegraphed their identity, and had to be served regularly to ordinary customers. Signature dishes enabled external actors such as the *Guide Michelin* to classify chefs into a category, but that did not mean that all chefs assigned to a category equally conformed to the norms, rules, and dictates of the category.

Some chefs faithfully adhered to the norms of the category by using the cooking techniques and ingredients associated with the category. Consider a chef whose signatures are all in one category and who does not blend cooking techniques and, instead, only uses techniques affiliated with his or her chosen category. Jean-Paul Lacombe, of Léon de Lyon, a two-star restaurant in Lyon, exemplifies the canons of classical cuisine with three signature dishes such as crayfish mousse (*mousse de brochet*), pan-fried tripe (*Gras double sauté*), and chicken cooked with red wine, 'the ancient way' (*Coq au vin rouge à l'ancienne*), offered in 1981. These signature dishes pay homage to the middle-class kitchens of Lyon during the 19th century and refer to classical cuisine ingredients: *crayfish* and *tripe*. However, all of them use classical cuisine techniques of cooking: *pan-frying*, *mousse*, and *stewing* meat in wine. The chef, Jean-Paul Lacombe, defines himself as an embodiment of classical cuisine enshrined in the history of Lyon: 'I love Lyon, I like the region and its products; my cuisine is deeply inspired by this native area: it is a cuisine *bourgeois*, a cuisine that smells good . . . My strength? a traditional cuisine based on typical products from Lyon.'

Some chefs signal a hybrid identity – two of their signature dishes can belong to classical (or nouvelle) genre, and the remaining dish falls in the nouvelle (or classical) genre. In all cases, the signature dishes adhere to the rules of the genre, and so patrons can have a choice of classical and nouvelle cuisine dishes faithfully executed according to the conventions of the genre. An example is La Poularde ('The Fat Chicken') located in Montrond-les-Bains, the oldest two-star restaurant in France. In 1990, Gilles Etéocle offered the following dishes: cooled off

marinated salmon with sesame (*saumon mariné tiédi aux graines de sesame*), a pure nouvelle cuisine dish based on account of the spices and techniques used. This dish features a natural river fish and a spice not available in France, sesame, which was not traditionally used as a seasoning in marinated preparation before. Sesame was mainly used as an imported product in bakery and pastry, for dessert preparation, not in fish preparation. So the rules of transgression and acclimatization apply. Étéocle also has two classical cuisine dishes such as chicken fricassée with truffle (*fricassée de poulette truffée*) and big game (*gibier*). The two pure classical cuisine dishes use classical cuisine ingredients: *truffles*, *big game*, and rely on the classical cooking technique – *fricassée*.

But chefs can have all of their signature dishes in the classical or all nouvelle categories, and yet borrow elements from a rival cuisine, and blend them with their claimed cuisine. An exemplar is Bernard Collon of 'Auberge de Letraz' located on the border of the Annecy Lake. Collon was awarded one star in 1975, but downgraded in 1996. Collon defines himself as a classical cuisine chef, who uses fresh ingredients of nouvelle cuisine. He characterized his identity as follows: 'I do not like the caricatured classification between classical and nouvelle cuisine. I categorize myself in the "Classics," but ... I use fresh products ... you modernize.' In 1981, for example, two of Collon's signature dishes breached the boundaries of classical cuisine: duck *aiguillettes* with quince (*aiguillettes de canard aux coings*), and escalope of salmon trout with sorrel (*escalope de truite saumonée à l'oseille*). Both dishes combine classical cuisine ingredients (*salmon trout* and *duck*) with nouvelle cuisine ingredients (*quince* and *sorrel*) and nouvelle cuisine rules of cooking (*aiguillettes* and *escalope*).

Finally, chefs can follow a hybrid approach and still borrow techniques from a rival cuisine. Consider Jean-Paul Jeunet, the chef of the Restaurant de Paris in the Jura province, who in 1992 chose the following as his signature dishes: lightly poached foie gras and a Macvin reduction (*foie gras poché*

*et caramel de Macvin*), snails cooked in butter served in a liquorice court bouillon (*embeurrée d'escargots dans une nage à la réglisse*), and boned out fat chicken cooked in white wine and garnished with morels (*poularde en gigot de vin jaune et morilles*). The first dish is a nouvelle cuisine dish, while the others belong to the classical cuisine genre. However, all borrow ingredients and cooking techniques from each genre. The first dish combines a highly classical cooking technique: poaching (simply using boiling water) and a very classical ingredient: foie gras, with a Macvin caramel, or sugared dessert with a liqueur based on a local marc. The combination of salt and sugar is a nouvelle cuisine characteristic. The second dish mixes earth and sea, a typical feature of nouvelle cuisine, in complete disrespect to tradition and the natural order of classical cuisine, through an ingredient: (snails) and an appellation – swimming. Finally, the third dish is pretty classical, but the carving technique, 'gigot' (not adequately translated as 'boned out') is usually adequate for mutton (a leg of mutton) and is not properly used for chicken under the classical cuisine orthodoxy. Jean-Paul Jeunet stated: '*My role is to bring something, to transcend the product through the techniques. I am a technician, first and above all*' (italics ours).

As these descriptions indicate, French chefs did not neatly fall into classical and nouvelle cuisine camps, but instead straddled them. Moreover, those whose cuisine was dominantly classical or nouvelle also experimented by borrowing techniques and ingredients from the rival cuisine. Rao, Monin and Durand (2003) formally modeled the creation of a patchwork by analyzing the extent to which chefs belonging to classical and nouvelle cuisine borrowed materials from each other. They argued that when boundaries are strong due to external sanctions, most actors don't borrow, and the sprinkling that do borrow do so most of the time. As a result, the mean number of elements ( $\mu$ ) borrowed from the rival category for each actor is likely to be low but the variance ( $\sigma^2$ ) in the number of

elements borrowed is high. Conversely, when boundaries are eroding, the mean number of elements ( $\mu$ ) borrowed by an actor from the rival category increases, but the variance ( $\sigma^2$ ) in the number of elements borrowed declines. What increases  $\mu$  and decreases  $\sigma^2$ ? They argued that geographically high-status actors have more latitude to be original, and can borrow techniques from a rival category, and serve as influential role models for other chefs. Their study of French haute cuisine showed that borrowing by high-status actors increased the mean number of elements ( $\mu$ ) borrowed by an actor from the rival category, but reduced the variance ( $\sigma^2$ ) in the number of elements. Thus, boundaries between a category weakened when members of a category borrowed from the rival category, and the sources of erosion were from within and without. They also showed that those who borrowed when the categorical differences were strong received penalties in the form of a downgrade by external evaluators. The penalties diminished as the fraction of chefs who borrow increased and borrowing became prevalent in the social system. Thus, chefs redrew boundaries through borrowing which created a patchwork, and, in turn, critics based their assessment on the patchwork.

### QUADRANT 3: IMPOSITION: THE CASE OF CONSUMER WATCHDOGS

The saga of non-profit consumer watchdogs provides a telling example of how a settlement was imposed due to powerful external actors. So in this case it is not the actors making a settlement, but rather an imposition of a settlement by external audiences. The parties were rival entrepreneurs championing different visions of a non-profit consumer watchdog, other media, and Congress. We rely heavily on Rao (1998) to provide this case study.

In the 1930s two issue entrepreneurs, Stuart Chase and Frederick Schlink, attempted to

improve the protection of consumers through the establishment of a new mechanism of control – the Consumer Watchdog Organization (CWO). Chase, an accountant by profession, had written two polemics entitled *The Challenge of Waste* (1922) and *The Tragedy of Waste* (1925) to warn consumers against products that were superfluous and detrimental. Schlink had worked for the National Bureau of Standards and the National Standards Association; together with Chase, in 1927, he published *Your Money's Worth*, in which manufacturers were blamed for creating wasteful variety and advertisers were accused of deceitful claims.

Building on his experience with a consumer's club established in a church in White Plains, New York, Schlink created Consumer Research (CR), whose Bulletin would 'investigate, test, and report reliably hundreds of commodities' (Silber, 1983: 18). The goal of CR – a non profit organization that distanced itself from any political party – was to protect consumers by pushing manufacturers to reduce wasteful variety and keep fair prices through standardization. Scientific analysis, and not emotions, had to guide consumption. CR shielded itself from the opposition of manufacturers and advertisers by building on the ideas of 'service' to the customer and truth in advertising – concepts that firms were implementing to professionalize their trade and as a competitive weapon – and by emphasizing standardization and testing. CR grew quickly: in 1927, it had 656 subscribers, but by 1933, there were 42,000 subscribers. In 1935 the readership of the Consumers Research Bulletin reached a circulation of 55,000. CR's growth was also fostered by the Depression, which forced consumers to pay more attention to price/quality ratios, and by a wave of books that ran exposés of manufacturing and advertising practices.

As CR grew, new activists joined, while some older activists – among them Chase – left the organization because of disagreements with Schlink. These disagreements stemmed from different perspectives on the scope of

CR – Chase and other members wanted to deal with social questions concerning wages and working conditions, while Schlink and his supporters believed that these concerns could not be scientifically tested and therefore were outside the boundaries of CR's responsibilities towards consumers. In 1935, Arthur Kallett, an ex-colleague of Schlink at the American Standards Association and then member of the board of CR, founded a new organization called Consumer Union (CU), which aimed at protecting both consumers and workers. The founders of CU defined the consumer as a worker who was concerned not only about wasteful variety and deceitful advertising, but also about wages and income. Living standards could be improved through standardization, product testing, and control of labor conditions. Labor concerns also influenced purchasing choices; for example, CU urged members to boycott anti-union manufacturers. Labor legislation that created a favorable environment for labor unions – for example, the Norris-La Guardia Act in 1932 and the Wagner Act in 1935 – stimulated CU's growth: by the end of 1936 it had 20,700 members, and by 1937 it had close to 40,000 members.

### ***Imposition by external actors***

CR and CU provided two different models for a consumer watchdog organization. While the concepts of rational decision making, standardization, and scientific testing that were initially promoted by CR spread to governmental agencies and professional societies, small, newly founded consumer groups were modeled after CU. These endorsements stimulated CU's founders to increase circulation of the organization's bulletin, *Consumers Union Reports*. However, CU's radical agenda encountered resistance from diverse institutional actors: in 1939 the postmaster general of New York banned the bulletin and sixty-two newspapers, including the *New York Times*, refused to sell advertising space to CU because of its attacks on

industries. Professional journals such as *Science* and the *Journal of Home Economics* declined space to CU because CU's claims could not be scientifically substantiated. In 1937, a new watchdog organization began to publish Consumer Bureau Reports, which provided favorable ratings in return for free samples from manufacturers. Both the similarity of the name of the bulletin and its format could confuse the readers and weaken CU's reputation.

Further, CU was directly smeared as a Communist newspaper by the Hearst newspapers, due to a series of CU exposés of Hearst's Good Housekeeping Institute (so much so, that the Federal Trade Commission launched an investigation against the institute). A few years later, in 1938, a House committee on subversive activities, chaired by Congressman Dies, sought to investigate whether CU was engaged in un-American activities harmful to the national interest. J. B. Matthews, an associate of Schlink at CR, served as counsel for the Select Committee on Un-American Activities and suggested that Kallett's writings and the fact that a CU ex-employee, Susan Jenkins, had admitted to being an employee of a Communist newspaper (the *Daily Worker*) were proof that the organization was a Communist front. The Hearst newspapers printed Matthews's accusations in full.

Although there was no systematic investigation of the charges leveled at CU, the Dies Committee's allegations became a matter of concern to the founders and supporters. This spate of attacks from multiple actors led CU's founders to disengage from their radical agenda. Slowly, CU began to disengage from radical advocacy; thus, reports on labor conditions were no longer included in CU's bulletin, which more conservatively focused on product testing and ratings. In parallel, CU developed a relationship with scientific societies in Boston and sought to inject science into its testing approach, and by 1944, its circulation began to increase. CU had won the battle with CR but lost the battle for ideology. So much so that when Ralph Nader

wrote his critique of the auto industry, he first approached CU, only to be rebuffed as unscientific, and later went on to establish a new kind of non-profit consumer watchdog – one that looked at the legal rights of consumers.

#### **QUADRANT 4: INTEGRATION: THRIFTS IN PRE-DEPRESSION CALIFORNIA**

Early thrifts were incarnations of beliefs and values concerning saving and home ownership and took on value far beyond the technical requirements of the financial-intermediation task at hand and became institutionalized systems of moral authority. We rely on Haveman and Rao (1997) and Haveman, Rao and Parachuri (2006) to describe how thrifts based on the model of cooperation among friends and enforced saving were replaced by thrifts based on bureaucratized cooperation among strangers and voluntary saving.

There were three basic thrift forms or ‘plans,’ as contemporary observers called them. Each plan represented a proposal about how to organize thrift. In order of appearance, these were the mutual plan (which had three variants – terminating, serial, and permanent), the Dayton plan, and the guarantee-stock plan. In addition to these three basic plans, four ‘hybrid’ plans emerged, which combined the features of two or three basic plans: mutual/guarantee-stock, mutual/Dayton, mutual/Dayton/guarantee-stock, and Dayton/guarantee-stock. These hybrid plans represented attempts to integrate the ‘mutual’ plan with its other extreme – guaranteed stock plan.

In the mutual plan, all members were on equal footing: all were part owners, saved and repaid home loans on the same schedule, and shared in the association’s profits. Mutual-plan thrifts had rigid schedules for dues and loan payments; they enforced these schedules with fines for late payment and early exit. The Dayton plan relaxed the

mutual plan’s rigid rules by replacing installment shares with optional-payment and paid-up shares, allowing early payment of loans, and eliminating fees for membership, late payment, and early withdrawal. The guarantee-stock plan introduced non-withdrawable stock, which was paid in at founding and which was used to insure other members against losses. This joint-stock plan linked owners to savers and borrowers in an internal market for risk and return; it contrasted sharply with the mutual and Dayton plans, which were both cooperatives whose members were all owners. The four hybrid plans were recombinations of two or all three basic plans. For example, the Dayton/guarantee-stock hybrid combined features of the guarantee-stock and Dayton plans: this joint-stock plan created an internal market for risk and return, separated borrowers and savers, and allowed great flexibility for both.

The California thrift industry grew rapidly from its origins. In 1890, the first year detailed data are available, 116 thrifts operated. In 1894, 146 thrifts operated with 34,000 members and 9,000 mortgage loans outstanding; by 1928, the number of thrifts had risen to 216, with 114,000 members and 92,000 mortgage loans outstanding. While the industry grew more dramatically in scale rather than in sheer numbers, the distribution of organizational forms shifted dramatically. Until 1900, the industry was composed almost solely of mutual-plan thrifts, although there were rare instances of the Dayton, guarantee-stock, and mutual/guarantee-stock plans. After 1900, the number of mutuals fell and the number of Dayton and mutual/guarantee-stock thrifts rose. Then, after 1906, the number of Dayton/ guarantee-stock thrifts rose dramatically. In 1890, the mutual plan constituted over 90 percent of all thrifts operating. By 1919, that number fell to 48 percent, and by 1928, to 13 percent. By contrast, the Dayton/guarantee-stock plan rose from 1 percent of the industry in 1906 to 20 percent in 1919, and to 72 percent in 1928.

How did the Dayton/guarantee-stock plan suddenly replace the serial mutual plan as the

dominant form? When the population in California was transformed, by immigration and internal migration, into a society of strangers, these social bonds frayed. Immigration and internal migration together accounted for 65 percent of California's population increase between 1890 and 1900, and 87 percent of the population increase between 1900 and 1910. Social ties could no longer enforce the ethic of forced saving and a system of collective borrowing from friends. Thus, demographic change made the mutual form of thrift ineffective.

None of the other forms of thrift in existence at the turn of the century could replace the mutual form, because all violated, in some way, the original ideals of thrift (Haveman and Rao, 1997: 1640–1641), and all contravened the prevailing political culture. Two forms in particular merit mention, as they were combined to create the hybrid Dayton/guarantee-stock form (Haveman, Rao, and Parachuri, 2006). The pure Dayton form was not viable when it first appeared in 1899 because it eliminated structured effort, reduced mutuality, and had an identity that was similar to banks; the pure guarantee-stock form was unacceptable when it first appeared in 1898 because it eliminated mutuality. Moreover, neither form ever achieved sufficient numbers to confer great legitimacy (Hannan and Freeman, 1987; Hannan, Pólos, and Carroll 2007). At the dawn of the twentieth century, then, there was a problem in the thrift industry, but no acceptable solution. As a result, the industry languished and the number of thrifts fell from a peak of 157 in 1898 to a low of 85 in 1918.

### ***Integration: The Progressives***

It was the Progressive movement with its emphasis on rationality and bureaucracy that drove the integration of Dayton and Guaranteed stock plans. Progressivism arose in response to the political machines dominating municipal government, and sought to impose rationality and order. Progressives won

political power, and enacted regulations gave legal standing to three elements of the Dayton/guarantee-stock form of thrift – guarantee stock, optional-payment shares, and paid-up shares.

By 1913, the specific features of the Dayton/guarantee stock form were authorized but this by itself was inadequate. The meaning of thrift not only needed to be reconstituted, it also needed to be integrated into the prevailing cultural order. This constitutive legitimation project required the creation and spread of intermediary institutions, both theorists like the news media, which constructed functional accounts of the general Progressivist model of rational and efficient bureaucracy, and naturalizing analogies like the city-manager form of municipal government, which made bureaucracy a 'natural' part of the social fabric. It was only the rise of Progressive newspapers and the diffusion of the city-manager form of municipal government that made the Dayton/Guarantee Stock plan natural and possible.

As Progressive newspapers proliferated across the various counties of California, and as Progressive ideas embodied in the city manager form of government became entrenched in different parts of California, thrift executives began to redefine thrift as efficiency and the separation of powers between managers and owners as the best way to organize enterprises. The Progressive zeitgeist which treated even the governance of a city as analogous to a joint-stock corporation tipped the balance in favor of the Dayton/Guarantee stock plan. Integration ensued through conversion of existing thrifts and the birth of new enterprises. The Dayton/Guarantee stock plan gained recruits through defections of existing thrifts based on other plans, but mainly through the creation of new thrifts. Existing plans saw the shifting winds of cultural change and tacked their sails to adjust to the new winds. The Progressive zeitgeist was the banner under which the new entrepreneurs mobilized themselves. Since there was integration, the settlement was long-lasting – it



lasted until thrifts were besieged by competition from commercial banks due to deregulation in the Reagan era.

## DISCUSSION

Our conception of new forms as settlements strengthens the connection between neo-institutional theory and organizational ecology. Neo-institutionalists postulate that organizational forms are created through an inherently political process. Organizational ecologists assert that organizational forms are socially coded identities. So the question is how conflict and contestation culminate in a code. Our suggestion is that forms have to be first constituted as settlements – that is agreements have to be negotiated among parties before new forms can be institutionalized as codes. A settlement is a set of understandings and expectations about a form that are shared among internal and external audiences. Settlements become codes only when these understandings and expectations become default conditions of membership, and are enforced by external and internal audiences.

Our four examples underscore how new forms have to be constituted as settlements if they are to become durable and enforced as social codes. When there is low asymmetry in the power of the various parties and their proposals are ideologically incompatible, then brittle settlements ensue as in Quadrant 1, and are short-lived and subject to schisms. Here the possibility of codification of a single organizational form is low. However, when asymmetry of power among parties is low, and the proposals are ideologically compatible (despite rhetorical exaggeration of differences), the settlements that ensue as in Quadrant 2 are durable but constitute a patchwork. As a result, the settlement is evolving, and codification is uneven, with some parts being highly institutionalized and other parts being as yet underdetermined. In sharp contrast, when

asymmetry of power among parties is high and proposals are incompatible, the settlements that ensue, as in Quadrant 3, are imposed by an external force. Such settlements last only as long as the external party retains its influence. If the external party loses its grip, weaker parties gain the leeway to defect. If the external party consolidates its power, the settlement can become durable, until the accumulation of unresolved issues results in a conflict after a long period of time. When one party is powerful, but the proposals are compatible, then the settlement that ensues can be long-lasting and enforceable.

Our chapter focused more on the constitution of forms as settlements, and assumed that durability and enforceability were an outcome of the nature of the settlement. Future research needs to specify the conditions under which settlements gain institutional strength and sanctions, and become codes of conduct that influence the fates of individual organizations. Studies of settlement collapse would be particularly valuable, as they could provide insight into the boundary conditions of how organizations are products of their environments, and environments are outcomes of organizational intervention.

## ACKNOWLEDGMENT

We are thankful to Christine Oliver and Heather Haveman for exceptionally helpful comments and suggestions.

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