

Is the New Institutionalism a Theory?

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INTRODUCTION

The new institutionalism (NI) developed in the 1970s at a time when an increasing number of scholars studying organizations began to embrace the notion that much of what happened inside organizations had little to do with the objective tasks in which organizations were engaged and much to do with the social relationships in which they were embedded. This focus on the larger social structure in which organizations are situated was a huge intellectual leap over the managerialist engineering approach to organizations that accompanied the post WWII economy. Dominated by industrial engineers, organizational analysts had difficulty conceptualizing social elements of organizing beyond the psychological traits of workers and the organizational structures that conditioned their interactions. While some organizations-environments scholars, such as resource dependence theorists and population ecologists, focused on the resource environment of organizations (e.g., Pfeffer and Salancik [1978]/2003; Hannan and Freeman 1977; Aldrich and Pfeffer 1976), proponents of the

new institutionalism focused their attention on norms and mandates such as laws and regulations, belief systems, cultural pressures and social comparison processes (e.g., Meyer and Rowan [1977]/1991; Powell and DiMaggio [1983]/1991). The new institutionalism helped to explain why organizations often looked alike, even if they were engaged in quite different activities in varied contexts, and why managers would adopt administrative practices developed in dissimilar industries. It recognized that organizing is not only about reaching for technical efficiency in getting the job done, but also about presenting one's organization and management as 'informed,' 'up-to-date,' and 'compliant.'

In the 1980s W. Richard Scott wrote an assessment of the new institutionalism, an approach that was very much in ascendance at the time. In 'The Adolescence of Institutional Theory,' Scott (1987) appraised a theoretical teenager, albeit one with a distinguished ancestry, to assess the NI's contributions thus far and the potential for further development and intellectual gifts. In concluding his assessment, Scott (1987: 510) wrote that '[t]hroughout, I have

attempted to sound an optimistic note. Institutional theory is at an early stage of development. Adolescents have their awkwardness and their acne, but they also embody energy and promise. They require encouragement as well as criticism if they are to channel their energies in productive directions and achieve their promise.

Some twenty-five years later, institutional theory is still very much with us. No longer an adolescent, it is reaching adulthood (Scott forthcoming) and has become part of the organization theory community alongside resource dependency, population ecology, the resource-based view of strategy, and a few other stalwart conceptualizations that help us to understand the dynamics of a world organized into firms, NGOs, agencies, and industries. Indeed, the new institutionalism is arguably now the dominant paradigm in organization studies (Mizruchi and Fein 1999; Gmür 2003). But has its adolescent promise been realized? Although Jennings and Greenwood (2003: 201) consider the new institutionalism to be 'a mature theory,' they contend that it still 'relies more on richness and relevance than rigor.' A more cynical appraisal might be that the new institutionalism represents merely an umbrella for a diverse array of theory and research seeking a legitimate pedigree. There are many ways to assess a theoretical program's progress. In this essay we assess the extent to which the new institutionalism has become a 'theory' as opposed to a more loosely organized perspective or framework. We adopt this metric, because arguably the most frequently stated goal of work in our field is to develop theory about organizations rather than simply adding to our knowledge of them. Indeed, in many journals, the absence of a theoretical contribution is grounds for a submitted manuscript's rejection (cf. the notice to contributors for *Administrative Science Quarterly*).

We use a conception of theory building 'in use' by organizational studies scholars as our benchmark against which to evaluate the new institutionalism. Concrete in-use

conceptualizations are more relevant to practicing organization studies scholars than are abstract normative models (cf. Cohen 1968). We use the conception of theory building advanced by Edward Litchfield and James D. Thompson, two influential figures in the emergence of the field of organization studies, as our in-use theory building benchmark. We think that most organization studies scholars have been guided by their implicit affinity for this framework. Further, we think it represents the kind of theory building that some contend holds the most promise. DiMaggio (1995) has recently identified three types of theory in use, covering law theories, narrative theories, and enlightenment theories, each of which has strengths and weaknesses. Covering law theories consist of generalizations that describe the world as we see and measure it; that is, they explain what the world is like. Narrative theories consist of accounts that explain the way the world works; that is, they explain how and why the world is like it is. Enlightenment theories are complex, defamiliarizing and rich in paradox aimed at clearing away conventional notions to make room for artful and exciting insights; that is, they are 'surprise machines.' DiMaggio contends that the best theory building approaches tend to be hybrids, which draw on different types of theories in combinations where the strengths of one counterbalance the weaknesses of the others. Litchfield and Thompson's suggested mode of theorizing represents a hybrid of the covering law and narrative approaches. We recognize, though, that the Litchfield and Thompson characterization of theory is open to question. Thus, we conclude our chapter by examining conceptions of theory that have been offered in opposition to the dominant view: social mechanism, postmodernism, and critical realism. In each case, we inquire into the extent to which the new institutionalism has come to resemble a theory in that particular conception's sense and how these alternatives might enlighten the NI.

LITCHFIELD AND THOMPSON'S VISION OF ORGANIZATION THEORY

The first issue of *Administrative Science Quarterly* contained essays by two of the journal's founders, Edward Litchfield (1956) and James Thompson (1956). In these essays, Litchfield and Thompson laid out a common vision of organization theory that contained four elements. Organization theory, first, should be composed of abstract concepts that can be operationalized and postulated relationships that can be empirically evaluated. Second, it should be general, transcending different types of organizations and contexts. Third, organization theory should be comprehensive, pursuing multiple levels of analysis, drawing on a wide array of the social sciences, and apprehending the full range of behavior in and of organizations. Finally, it should be cumulative, growing in explanatory power over time.

Concepts and relationships

Litchfield and Thompson complained that organization theory in their time was characterized by a plethora of vague concepts that were ambiguously related to one another and that researchers often documented empirical regularities without providing a theoretical framework within which they could be interpreted. They contended that organization theory should aspire to develop a coherent set of abstract constructs that could be operationalized and postulated relationships that could be empirically verified. An examination of Thompson's ([1967]/2006) classic integration of contemporary organization theory suggests that he at least also envisioned organization theory to include not just 'covering laws' but causal explanations of such relationships. Almost forty years later, Sutton and Staw (1995) presented a strikingly similar conception of organization theory as a logical framework that explained 'why variables or constructs come about or why they are connected' (1995: 375).

Concepts

The new institutionalism is characterized by a growing number of concepts. These concepts can be grouped into three categories: institutional structures, attributes, and processes. We review what we believe are several key new institutional concepts, with an eye to indicating the extent to which they are well elaborated and operationalized. We do not aspire to completeness. There are many more new institutional concepts than those we consider in this section of the chapter. Rather we aspire to representativeness, with respect to the level of precision with which the concepts have been elaborated and operationalized.

Structures The most fundamental NI structural concept is the 'institution,' which corresponds to a way of organizing human activity that is stable, resilient, and hence relatively enduring because it is considered appropriate by relevant actors, in particular powerful ones. Institutions can have a sense of permanence that makes it almost unimaginable that they could ever be different or might at one time not have existed. The taken-for-granted nature of institutions is part of their power – they are often not called into question or examined for their efficacy or appropriateness (Meyer and Rowan ([1977]/1991: 44–5; Scott forthcoming). According to Scott (2001: 47–70), there are three broad classes of institutional structures. Regulative structures are generally formal and explicit, legally sanctioned, and indicated by rules and laws, often enforced by the state. Normative structures are based on the value or moral expectations associated with roles and, in the contemporary world, are generally associated with processes of professional accreditation and certification. Finally, cultural-cognitive structures are based on the shared understandings of actors, which are generally taken-for-granted and legitimated by the larger cultural and institutional milieu (e.g., what a 'good' person should do in a situation, or what a 'just' solution is in a dispute). Specific institutional structures, such as 'conceptions of control,' 'myths,' 'logics,'

and 'recipes' occupy an ambiguous relationship with respect to these three categories, seemingly spanning two or all three categories. For example, a particular conception of justice can find expression in cultural forms and be codified in law.

There is a considerable amount of research that measures the regulative dimension of institutional structures. For example, research on the proliferation of the finance conception of control examined the spread of the multidivisional form (Fligstein 1990). There is also much work that taps the normative dimension of institutional structures. For example, research on the evolution of the normative framework that underpins the modern market for corporate control examined changes in the language used in the business press to describe hostile takeovers and their principal players (Hirsch 1986). There is even research that attempts to map both the regulative and normative dimensions of institutional structures. For example, research on the proliferation of the shareholder model of governance in Germany examined the use of language that privileged stock holder interests in corporate annual reports and tracked the adoption of governance structures and accounting systems that reflect those interests (Fiss and Zajac 2004). But work that explores the cognitive expression of institutions is just beginning. One interesting study in this vein examines the emergence of the cognitive construct 'nanotechnology' that accompanied the emergence of the industry that we now know by this name (Grodal 2006; also see George, Chattopadhyay, Sitkin, and Barden 2006).

Another fundamental NI structural concept is the 'field,' which corresponds to the domain within which a particular institution operates. It consists of a group of organizations that interact with one another and that are subject to the same regulative, normative, and cognitive institutional constraints. Fields differ from 'populations' and 'industries,' which are composed of organizations that are similar to each other (importantly, with

respect to their relations to other organizations). Fields are also different from 'networks,' which are composed of organizations that are not necessarily subject to the same institutional constraints. Early proponents of the new institutionalism distinguished between two types of fields: 'technical' and 'institutional' (Scott and Meyer [1983]/1991). While in technical environments rewards are accrued by organizations for 'effective and efficient control of their production systems,' institutional environments require that organizations conform to rules and regulations 'to receive support and legitimacy' ([1983]/1991: 123). However, as we note below, it is noteworthy of the new institutionalism's expanding comprehensiveness that, later on, this distinction was put into question.

Many proponents of the NI consider the field to be a unique and crucial concept of this approach. DiMaggio has argued that 'the organization field has emerged as a critical unit bridging the organizational and the societal levels in the study of social and community change' (quoted in Scott 2001: 148). Davis and Marquis (2005a) contend that it is the level of analysis most likely to give rise to improved understanding of modern organizations. Thus it is ironic that fields are seldom characterized precisely. To the best of our knowledge, most NI studies do not go to great lengths to establish the boundaries of the fields they study. More often than not, fields are defined as coterminous with more traditional aggregates such as industries (cf. Thornton and Ocasio 1999) or groups of organizations listed in standard annuals such as the Fortune 500 (Fligstein 1990).

Attributes The most fundamental NI attribute is 'legitimacy,' which corresponds to the extent to which a structure or practice resembles an institution. The more legitimate a structure or practice is considered by actors in general and powerful actors more specifically, the more reasonably the structure or practice can be called an institution. The extent to which structures and or practices are considered legitimate have been for the

most part only measured indirectly by the extent to which the structure or practice is prevalent in a field (cf. Fligstein 1990) or by measuring the extent to which organizations that adopt the structure or practice receive resources from powerful actors (Baum and Oliver 1991, 1992). However, a few scholars have attempted to measure legitimacy more directly, by assaying explicit endorsements of organizations that conform to institutional expectations by key gatekeepers such as regulators and media representatives (Deephouse 1996).

Processes The most fundamental NI process is 'institutionalization,' which roughly corresponds to the mechanisms through which a way of organizing becomes accepted as appropriate by numerous and/or powerful actors. DiMaggio and Powell ([1983]/1991) have formulated a series of concepts that describe the way institutionalized elements proliferate (coercive, normative and mimetic isomorphism). Following Berger and Luckman (1966), Tolbert and Zucker ([1996]/1999) identify three processes involved in institutionalization. The first process, 'habitualization,' results in the formalization of new structural arrangements. 'Objectification' refers to the development of a social consensus with regard to the value of these new arrangements. And, finally, 'sedimentation' (or full institutionalization) 'is characterized both by the virtually complete spread of structures across the group of actors theorized as appropriate adopters, and by the perpetuation of structures over a lengthy period of time' ([1996]/1999: 178). The related concepts of 'institutional reproduction' and 'de-institutionalization' signify mechanisms through which institutions are maintained and undermined. Oliver (1992) has elaborated a series of conditions that she contends undermine institutional regimes. Jepperson (1991: 152) also recognizes the process of 'reinstitutionalization,' which is illustrated by the 'exit from one institutionalization, and entry into another institutional form, organized around different principles.'

A variety of historical and quantitative empirical studies have examined how strategies and practices become institutionalized. For example, researchers have shown that actors, both collective and individual (Battilana 2006; Garud, Jain, and Kumaraswamy 2002; Greenwood, Suddaby, and Hinings 2002; Macguire, Hardy, and Lawrence 2004), can play the role of 'institutional entrepreneur' (DiMaggio 1991; Fligstein 1997; Greenwood and Suddaby 2006; Leca and Naccache 2006) advocating and disseminating a particular structure. Business schools, for example, have taught organizational practices as 'appropriate' or 'modern' and encouraged their adoption. Individuals have championed structural innovations and sometimes have been successful (Selznick 1957; Hirsch, 1975; Garud and Kumaraswamy 1995). Actors, however, differ in their capacity to bestow legitimacy on a way of organizing. High status actors, in particular those who enjoy high performance and maintain affiliations with other high status actors (such as top business schools) and powerful actors who occupy positions in formal hierarchies (such as government officials) or who possess valuable and scarce resources (such as Chief Financial Officers), play particularly important roles in institutionalizing ways of organizing (Rao, Greve, and Davis 2001). More recently, social movement theorists have also used these ideas to understand the success and failure of those seeking to promote or undermine institutions (Davis, McAdam, Scott, and Zald 2005).

Relationships

The new institutionalism is characterized by two types of relationships: tendencies and causal relations.

Tendencies Proponents of the NI recognize two kinds of tendencies. The first type of tendency refers to developments that tend to unfold over time. For example, proponents of the new institutionalism postulate that organizations tend, over time, to become more similar to one another. That is, they tend to become 'isomorphic' even when these

changes do not increase organizational efficiency. DiMaggio and Powell ([1983]/1991) have identified three types of isomorphic pressures. Coercive isomorphism 'results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function' ([1983]/1991: 67). Regulative structures may demand, through the force of law for example, that organizations adopt affirmative action practices. Very different organizations will thus have similar sorts of human resources units and practices in response to this outside regulatory pressure (Sutton, Dobbin, Meyer, and Scott 1994). While changes in organizations resulting from coercive isomorphism generally arise from controls placed on organizations by the state, 'normative isomorphism' typically arises from professionalization, similarities in formal education and professional networks, which results in the standardization of organizational responses. Accounting firms and hospitals in different market settings, and with different specializations, may end up looking much like other accounting firms and hospitals because that is what is sanctioned by their professional certification bodies (Abbott 1983; Greenwood et al. 2002; Gendron, Suddaby, and Lam 2006; Scott, Ruef, Mendel, and Caronna 2000). Finally, 'mimetic isomorphism' occurs when organizations face environmental uncertainty and so mimic one another, conferring on one another a degree of legitimacy, as a solution to this condition. Copying the structure and practices of other organizations allows organizations to be mutually understood, as well as understood by outsiders when there is cognitive uncertainty. Adopting the symbols, language, structures and practices of other organizations allows new or transforming organizations to identify themselves institutionally as a college textbook publisher (Levitt and Nass 1989), museum (DiMaggio 1991) or school (Meyer and Rowan 1978; Meyer 1977).

New organizational forms developing outside of institutionalized norms, for example for-profit higher educational systems, must orient themselves in regard to accepted forms and practices. All three processes are important for understanding how institutionalized components proliferate. A large number of empirical studies have charted the emergence of institutions over time (see citations in the section immediately above). However, these studies have disproportionately focused upon mimetic processes as the mechanism driving isomorphism (Mizruchi and Fein 1999). Furthermore, while one could imagine the degree of isomorphism to vary across organizational fields, proponents of the new institutionalism have not identified variables that regulate the extent to which these tendencies are exhibited.

The second type of tendency designates characteristics that are time invariant. For example, the NI postulates that when institutional elements are incorporated into an organization, they tend to be 'loosely coupled' with the organization's technical core (Meyer and Rowan [1977]/1991; for a critique see Tyler 1987). While one could imagine the degree of loose coupling between institutional and technical elements to vary as a function of other conditions, proponents of the new institutionalism have rarely examined this potential problematic (cf., however, Orton and Weick 1990). Early studies on loose coupling focused on the not-for-profit sector, looking at, for example, education organizations (Meyer 1977; Meyer and Rowan 1978; Weick 1976; for criticism see Lutz 1982) and the criminal justice system (Hagan, Hewitt, and Alwin 1979). Subsequently, the new institutionalism began to look at the for-profit sector. Some researchers have examined what might be considered the ceremonial adoption of legitimate practices, such as the employment of new accounting standards (Mezias 1990) or stock buy-back programs (Westphal and Zajac 2001). Others, though, have examined the adoption of substantively significant structures and practices in the for-profit

sector, such as the adoption of the multidivisional form and diversifying acquisitions (Fligstein 1985, 1987; Fligstein and Dauber 1989; Fligstein and Freeland 1992; Palmer, Barber, Zhou, and Soysal 1995). For a while, the concept of loose-coupling appeared to dwindle in importance. In the process, the concept looked like it would be transformed from a largely explanatory framework to a more strategic one, which offers managers practical insights for managing their environments, as evinced in research on the relationship between entrepreneurial firm linkages and IPO success (Stuart, Hoang, and Hybels 1999). However, there has recently been an outpouring of studies that have examined loose-coupling as an explanatory concept in the for-profit sector (e.g., Brandes, Hadani, and Goranova 2006; Christmann and Taylor 2006; Fernandez-Alles, Cuevas-Rodriguez, and Valle-Cabera 2006; Fiss and Zajac 2006; Stevens, Steensma, Harrison, and Cochran 2005), indicating that the concept will continue to play more than just a strategic role.

Causal relationships The new institutionalism's most fundamental causal relationship is that between institutionalization, legitimacy, and beneficial organizational outcomes (birth, the acquisition of resources, high performance, and survival). The relationship between institutionalization and legitimacy is often treated as definitional (see Suchman 1995 for a critical discussion). Indicative of this, the many grammatical forms of institution (institutional, institutionalized, institutionalization) are used interchangeably with the various forms of legitimacy (legitimate, legitimized, legitimating, etc.). However, one study of commercial banks demonstrated that the adoption of institutionalized practices (the adoption of asset strategies prevalent in the industry) leads to increased legitimacy (Deephouse 1996). The predicted relationship between being institutionalized and legitimate on the one hand and enjoying beneficial organizational outcomes on the other, though, has been examined in considerable depth. And a substantial body of research

testifies to the fact that the more institutionalized and thus legitimate an organizational structure or process is, the more beneficial outcomes organizations enjoy by embracing them (see, for example, Baum and Oliver 1991; Baum and Oliver 1992; Human and Provan 2000; Ruef and Scott 1998; Singh, Tucker, and House 1986; Zucker 1987).

Another important causal relationship pertains to the moderating effects of uncertainty on the relationship between institutional conformity, legitimacy, and organizational outcomes. Proponents of the new institutionalism believe that the more uncertainty there is about the efficiency characteristics of alternative forms of organizing, the less impact those efficiency characteristics will have on the choice of organizing form and the more impact that institutional forces will have on this choice (Powell and DiMaggio [1983]/1991). This postulated relationship is arguably one of the new institutionalism's most novel aspects, one which sets it apart from economic and functionalist sociological explanations of organizational behavior. It suggests that the adoption of institutionalized elements can benefit organizations, even if it does not increase the efficiency and/or effectiveness of (indeed, even if they inhibit the efficiency of) the generation of products and services, because the efficiency and/or effectiveness characteristics of alternative modes of organizing are often unknown (and partly because institutional elements tend to be loosely coupled with an organization's technical core). A number of studies presented evidence suggestive of the moderating impact of uncertainty (cf. Haunschild and Miner 1997).

Assessment

This discussion suggests that the new institutionalism has come a long way with respect to the articulation of measurable concepts (pertaining to structures, attributes, and processes) and the elaboration of empirically verifiable postulated relationships. This conclusion is echoed by Scott (forthcoming) in his stocktaking of the new institutionalism.

He argues that the new institutionalism has moved 'from looser to tighter conceptualizations.' And he argues that the new institutionalism has moved from elaborating simple to more complicated relationships; specifically, 'from determinant to interactive arguments.' And he contends that this has happened partly by moving 'from assertions to evidence.' While we identify specific gaps in conceptual development and empirical validation, we suspect that progress towards filling these gaps will be made in the coming decades.

Still, we think that at least one question can be raised about this dimension of the new institutionalism's development as a theory. More than a few of the concepts and relationships that the new institutionalism posits are borrowed from other theories. Indeed, the concept of 'legitimacy' is central to many other theories, going as far back as Max Weber's ideas on systems of imperative coordination (1968: vol. 1) and Parsons's elaboration of what substantively became known as structural functionalism (e.g., 1951: 348–59, 1956a, 1956b, 1961), and as recently as modern management theories such as Pfeffer and Salancik's ([1978]/2003) resource dependence perspective. Similarly, the concept of 'uncertainty' is central to decision theory (March and Simon [1953]/1993; Cohen, March, and Olsen 1972), contingency theory (Thompson [1967]/2006; Lawrence and Lorsch 1967), and (again) the resource dependence perspective. The new institutionalism also borrows postulated relationships from other theories. For example, it is difficult to distinguish between coercive institutional pressures and resource dependence-based power. Similarly, it is difficult to distinguish mimetic isomorphism from inter-organizational learning and other diffusion processes. The argument that uncertainty increases the salience of institutional processes parallels arguments that uncertainty enhances the salience of status and social comparison processes. Finally, there have been attempts to borrow other concepts, such as 'power' from other theories (for a

discussion of power in organization studies see Hardy and Clegg [1996/1999]). This raises the question of the extent to which the new institutionalism in some cases represents a new bottle for old wine.

General theory: organizational type, time, and space

Litchfield and Thompson complained that organization theory in their time was fragmented into separate theories for different kinds of organizations: military organizations, educational organizations, governmental organizations, and business organizations. They advocated the development of general theory, by which they meant theory that was applicable to multiple types of organizations and presumably in multiple times and places.

The new institutionalism began as a behavior- and context-specific theory. It was developed to explain the ceremonial adoption of structures and practices by organizations situated in non-market environments, contexts in which such inefficient structures and practices could survive. Thus it explained why public schools adopted educational reforms in which teachers were required to develop elaborate lesson plans, an organizational practice that was both rational and legitimate, but these lesson plans bore little relation to what teachers actually did in their classrooms (Meyer 1977; Meyer and Rowan 1978). Proponents of the new institutionalism at this time surrendered analysis of non-ceremonial forms in market contexts to economists. Over the years, proponents of the new institutionalism have continued to examine adoption of organizational elements that are not tied to an organization's technical core (e.g., charitable giving) in non-market contexts (e.g., the corporate philanthropy field). However, it has also become increasingly more general in several ways.

Perhaps most important, the NI has increasingly been employed to analyze the adoption of more pragmatic structures and practices by for-profit organizations.

The new institutionalism expanded its scope by developing arguments that characterized markets as fundamentally (albeit, variably) uncertain and by characterizing legitimacy as an attribute that can increase a firm's access to valued resources and thus improve its performance, in the process transforming the concept of efficiency (cf. Fligstein 1990). Two important theoretical pieces summarize the generality of the new institutionalism in this respect. In his stock taking of the then adolescent neo-institutional approach, Scott (1987) jettisoned the distinction between technical (market) contexts and institutional ones and embraced a perspective that viewed market and non-market contexts simply as different institutional spheres. More recently, Biggart and Delbridge (2004) developed a classification scheme of different kinds of market institutions. In their typology markets are not a single institutional type. Rather markets have four qualitatively different institutional expressions, depending on whether they emerge in social environments where instrumental or value-based substantive rationality dominates decision making and where social action is particularistic or universalistic (oriented towards individual characteristics or supra-individual principles). Social environments vary along the instrumental-substantive rationality dimension and the universalistic-particularistic dimension and result in four logically different institutional settings: price, communal, moral, and associative economic orders with very different hypothesized structures and dynamics. Rather than seeing the market as one historically developed institutional form for organizing exchange, Biggart and Delbridge argue that economic exchange relations can be institutionalized in quite different ways. This classification system opens up the possibility of economic theory testing, and also for seeking other forms of institutional types, for example of health care systems or educational structures.

Ruef and Scott's (1998; Scott et al. 2000) empirical analysis of health care systems further expanded the generality of the new

institutionalism by explicitly taking into account the temporal dimension. They examined how the institutional context in the health care sector evolved over time, making different kinds of governance arrangements more or less advantageous. Similarly, Thornton and Ocasio (1999) demonstrated how the institutional context in the publishing industry changed over time from a family logic to a market logic, altering the conditions that made corporate acquisitions desirable. And Dobbin (1997, 2000) documented how the institutional context in the US railroad industry changed as the result of alterations in anti-trust policy, shifting the conditions that made railroad foundings and acquisitions in that industry more or less likely.

Finally, there is now a growing body of research that expands the generality of the new institutionalism along the spatial dimension. This work examines different national contexts, which can vary with respect to the types of sectors that dominate society (state, market, and mixed) and with respect to the characteristics of those sectors (types of markets). Works by Orrù, Biggart, and Hamilton (1997) and Biggart and Guillén (1999) demonstrate how variation in the institutional context of Asian economies has generated different market structures and performance. Guillén and his associates (Guillén 2000; Guler, Guillén, and Macpherson 2002) have shown how variation in the institutional context of developing economies has generated differential rates of adoption of work process reform and hostile takeovers.

Assessment

We think that the new institutionalism is now a truly general framework, in that it can be used to explain both ceremonial and substantive behavior in complex organizations of all types (i.e., in both non-market and market environments, and in different types of market environments) in virtually all times and places. This is an impressive achievement. With this said, we discern a tension between the forces seeking to make the new

institutionalism more general (identified above) and those seeking to preserve its sensitivity to context.

A major appeal of the NI is its rejection of the often abstract character of much organization theory (Davis and Marquis 2005a). Early organization theorists aspired to characterizing organizations according to constructs such as technology, size, and centralization, irrespective of environmental context. A subsequent wave of organization theorists aspired to characterize organizations according to their environments, but they characterized organization environments in categories such as 'munificence' and 'dynamism' that ignored more fine-grained dimensions of context. Many modern organization theorists have continued this tendency (Hannan and Freeman 1977; Burt 1980). The proponents of the NI have taken into account the context in which organizations are situated to a much greater extent than the advocates of other theoretical approaches; considering not just the material relationships in which organizations are embedded but the normative and cognitive environment as well. But characterization of an organization's normative and cognitive environment requires non-positivist modes of analysis, such as historical and interpretative methods, which Ventresca and Mohr call the 'new archival project' (2002). Such modes of analysis tend to produce conclusions that are highly industrially, historically, and spatially specific. Exemplary studies in this vein include Mohr and Duquenne (1997), DiMaggio and Mullen (2000), Spicer, McDermott, and Kogut (2000) and Kogut and Spicer (2002). Thus, the more context-specific NI's analyses are, the less generalizable its insights tend to be.

Comprehensive theory: disciplines, levels, and substantive areas

Litchfield and Thompson argued that organization theory should aspire to comprehensiveness. By this they meant three things.

First, Litchfield and Thompson argued that organization theory should draw on the full range of social science disciplines. This argument laid the foundation for the two additional contentions. Second, they thought that organization theory should operate at three levels of analysis – the individual, the organization, and the environment. Third, they thought organization theory should apprehend the many dimensions of the administrative process – decision making, implementation, and learning.

Disciplines

Proponents of the new institutionalism, like the proponents of many other theoretical perspectives in organization studies, have drawn heavily on sociological theory. Scott (2005) recently located the roots of new institutionalism in the works of classic social theorists Marx, Durkheim, and Weber. The notion that organizations operate on an institutional level has its modern origins in Selznick's (1948, 1949) path-breaking study of the Tennessee Valley Authority, which showed how the authority's environment influenced the goals it pursued, shifting them from a progressive to a more conservative agenda. Parsons's (1956a, 1956b) explicitly theorized the institutional level of analysis in his early outline of a theory of organizations. Stinchcombe (1965) exploited this basic model when he detailed how organizations are constructed of elements in their surrounding social structure and that this imprinting is resistant to change.

The new institutionalism also has roots in the work of Berger and Luckmann's *The Social Construction of Reality* (1966), which, put crudely, advanced the notion that there is no reality beyond what we manufacture and agree upon together. This notion had wide-ranging effects in social thought, but only in macro-units of analyses among new institutionalism scholars. The notion of institutions as inter-subjectively meaningful social constructions permeated NI studies at the levels of the organization, field, and global systems, but few NI scholars have elaborated the implications of this view

at a micro-level. Institutions are by definition constructs that are only visible when enacted by individuals in social settings, including organizations. However, those interested in micro-processes in organizations such as decision-making and identification processes (Elsbach and Kramer 1996) have largely approached these dynamics from the perspective of individual psychology.

In what ways can we think of *individuals enacting* institutions? Biggart and Beamish (2003: 257) argue that conventionalized activities, for example routine ways of making and justifying decisions, are actually 'institutions writ small.' Conventions are taken-for-granted and socially efficient ways of enabling actors to coordinate with and evaluate each others' actions, not only in the moment, but over time as a socially legitimate pattern. According to Palmer and Biggart (2002), because organized 'action is collective, situations must be interpreted iteratively in mutually intelligible ways, therefore developing and utilizing institutionalized conventions' may be a solution to individuals' uncertainty in ambiguous settings. Institutionalized organizations are in fact bundles of conventions about decision-making rules and other organizational routines that have congealed into structural forms.

Social construction as both a concept and as a process for study has had far more development in other areas of the social sciences, including anthropology and communications. The analysis of micro-social processes has traditionally been the purview of traditions rising out of pragmatism, particularly symbolic interactionism, but also the French conventions school (also known as the new economics of conventions), and in the Science and Technology Studies tradition of the dynamics of scientific discovery and practice (Latour and Woolgar [1979]/1986; Latour 1987; Pickering 1992). These related perspectives have found their way into organizational studies recently through the analysis of technological artifacts in organized settings, artifacts that become imbued with

collective meanings that allow social processes to develop, stabilize, institutionalize, and change in organized settings, for example Barley's (1986) study of the introduction of CT scanners into radiology departments demonstrated the disruption of established interactional and authority patterns. New machines demanded new practices and created opportunities for subordinates to become experts and reverse roles with superiors. With time, new practices and roles were institutionalized. Similarly, Bechky (2003) examined how occupational categories and boundaries are negotiated through material technologies. She found that engineering prototypes and technical drawings used by a semiconductor firm were imbued with meanings. Artifacts symbolized and structured relations between groups of assemblers, technicians, and engineers.

Although they do not claim to be part of the new institutionalism, there are logical and theoretical links between these scholars and institutional theory. When meanings crystallize in objects and communities of practice such as radiologists and hardware designers they are in the process of becoming institutionalized (Biggart and Beamish 2003). To the extent that the new institutionalism wants to claim to be a comprehensive theory that can operate at all units of analysis, it must develop a micro-logical orientation that shows the emergence of meaning, its development into inter-subjectively agreed-upon classifications, definitions, and values, and the development of structures that emerge from these understandings. Psychology and economics, by themselves, predicated as they are on methodological individualism, cannot conceptualize the shared and taken-for-granted meanings that are central to new institutionalism.

One can imagine five lines along which a micro-NI might develop. First, a micro-NI could look at traditionally psychological areas of investigation such as employee selection, work design, training and leadership to examine how differently institutionalized firms develop conventional solutions

around these issues. Second, it could theorize the role of individuals as institutional entrepreneurs to develop a truly institutional theory of leadership (cf. Biggart and Hamilton 1987; DiMaggio 1991; Hargadon and Douglas 2001). Third, a micro-NI could examine the cultural-cognitive components involved when decision makers attempt to 'read' the institutional environment for strategic opportunities and threats (George et al. 2006). This line of research, while rooted in the psychology of decision making, opens the door to incorporating interpretive processes that decode social meanings. Fourth, it could pursue a comparative analysis of conventions in different institutionalized fields that might suggest ways in which organizational actors find solutions to problems of organizing, for example, how architects in state-directed building programs construct building plans in comparison to those in industrialized arenas of the same era (Guillén 2006). Finally, a micro-NI could develop a more active understanding of institutionalization processes (cf. Zucker [1977]/1991). At present institutional theory is relatively static, assuming the processes from which structures emerge (see Barley and Tolbert 1997 for a discussion of this problem). An interactive NI offers the promise of seeing how institutions emerge out of negotiation, conflict, and collaboration.

There is also work in economics upon which new institutionalists might draw. Institutional thinking in economics dates back to the work of Veblen, Commons, Mitchell and Coase, who looked at the individual to see how socialization and organizational arrangements shape the choices he or she makes (see Hodgson 1998 and Rutherford 2001 for more on institutional economics). These new economists differed from neoclassical economists in not assuming that actors have fixed preferences, but argued that their preferences may be socially formed and influenced by the context in which they find themselves – for example in a newly emerging middle class (Veblen [1899]/1979). This strain was developed by

Coase (1937) and extended and codified by Williamson (1975, 1981). The central idea in this line of inquiry is that economic transactions (not producers [the source of supply] or consumers [the source of demand]) are the fundamental unit of analysis in economics. The institutional structures through which transactions are governed are the fundamental variables. Put bluntly, institutional structures persist to the extent to which they are efficient means of governing transactions under particular conditions (which pertain to uncertainty, asset specificity, etc.). Nelson and Winter (1982) have developed a more nuanced brand of institutional economics which emphasizes the path-dependent process through which institutional change occurs, a path in which new forms emerge from existing ones.

This work adds an important caveat to earlier institutional economics: while institutional structures persist to the extent to which they are efficient, a structure's efficiency characteristics are only evaluated with respect to concrete alternative structures in the market at the time. Thus, persisting institutional structures are not optimally efficient, but only relatively so. As such, it brings economic institutionalism in closer correspondence with sociological institutionalism. Perhaps the best example of this line of work is the simultaneously historical and game theoretic comparative analyses of economist Avner Greif (1994). Greif examined two premodern trading societies with different institutional structures, the 11th-century Maghribi traders living in a Muslim world and the 12th century Genoese traders which were part of the Latin world. The Maghribi society was a collectivist one, with information shared and punishments collectively enforced, and the Genoese society was decidedly individualist. Both faced the danger of embezzlement when using overseas agents but resolved this principal-agent problem with different institutional means and each society created practices and sanctions consonant with their cultures. Greif goes on to argue that differently efficient

solutions cannot be changed because of the effects of path dependence. The work of Milgrom and Roberts (1992) also approaches issues of interest to the NI. They ask why organizational forms take the shapes that they do. This is a fundamental theory of the firm question posed by Coase (1937) and Williamson (1975) but like Greif they find the answer in the structure of social relationships between firms, not assuming that all contracts are arms-length but may be alliances or relational contracts.

The new institutionalism in organization studies, though, has not much benefited from the resurgence of institutional thinking in economics. Economic institutionalism registered an impact within organization studies soon after it experienced its resurgence in economics (cf. Walker and Weber 1984). And it has had a substantial impact in the strategy area in recent years (cf. Mayer and Salomon 2006). However, economic institutionalism is typically presented as a stand-alone approach, rather than as a component of the new institutionalism as we have characterized it here. We suspect that this is because the long-standing antagonism between economics and sociology (the primary foundation of NI) has spilled over into the field of organization studies. Indeed, many lament the growing influence of economic thinking in organization science (Pfeffer 1993, 1995; Hirsch, Michaels, and Friedman 1987; Hirsch, Friedman, and Koza 1990). However, as economists 'relax' assumptions of individual omniscience and rationality, some borrowing from NI is likely as well.

Proponents of the new institutionalism have also drawn on work in political science. The earliest political scientists focused primarily on the institutional structure of political life; in particular, the structure of governing bodies of the state, political parties, and trade unions. This institutional focus was rejected by what might be called modern political science, which to a large extent focuses on voter behavior and which recently has drawn on micro-economics in the form of rational choice theory. Recently, though,

institutional thinking is enjoying something of a renaissance in political science, in part as a critique of the methodological individualism of rational choice. Robert Lieberman's (2002) reconciliation of ideational and institutional approaches with economically inspired ones was one of the ten most downloaded articles in political science between 2002 and 2004 (APSA 2005: 13). New collections of work are appearing that compete with rational choice approaches (Lecours 2005; Mahoney and Rueschemeyer 2003). Institutional analysis in political science never disappeared from European thought where historical and ideational approaches have always been important. Many of these political science analyses are using new institutionalism to account for the possibilities and difficulties for institutional change in settings such as post-colonial multicultural Canada and the formation of the European Union.

The NI approach in organization studies has benefited from the resurgence of institutional thinking in political science. Indeed, one might say that the regulative pillar of institutional theory is to a large extent built upon the theoretical foundation of the institutional wing of political science. Certainly the work of several new institutionalists is heavily influenced by institutional thinking in political science (cf. Campbell 1998; Clemens 1993). And some new institutionalist scholars have done more than simply borrow from institutional scholarship in political science; they have developed ideas that suggest the limitations of that scholarship. Perhaps most important, Edelman (1992) has shown how regulative structures can be considered endogenous products of institutional development in the area of equal opportunity legislation and policy. With this said, the new institutionalism's incorporation of institutional thinking in political science is far from complete. This is perhaps most evident in the failure of the new institutionalism to develop a unique understanding of power, despite the repeated exhortations of leading figures in the field to do so (DiMaggio and

Powell 1991: 30–1; Hirsch 1997; Perrow 1985). We think that new institutionalists might make headway in addressing this deficiency by drawing on radical analyses of power within political science and political sociology that characterize it as a multifaceted phenomenon that includes symbolic and cognitive elements (cf. Gaventa 1982; Lukes 2005).

Levels of analysis

Proponents of the new institutionalism have clearly focused primarily on the environmental level of analysis, viewing the environment as the source of rationalized myths that could be used as building blocks by new organizations or as material for change by existing ones. Soon thereafter, proponents of the new institutionalism advanced a new level of analysis within the broader environment, the ‘field’ (DiMaggio and Powell [1983]/1991). As indicated above, fields group organizations according to their tendency to establish relationships with one another and according to their regulation by a common set of institutional constraints. New institutionalists also recognize another level of analysis similar to the organizational field but operating at a higher level of aggregation: the societal sector. Scott and Meyer ([1983]/1991: 117) define the societal sector as: ‘(1) a collection of organizations operating in the same domain, as identified by the similarity of their services, products or functions, (2) together with those organizations that critically influence the performance of the focal organizations ... The adjective *societal* emphasizes that organizational sectors in modern societies are likely to stretch from local to national or even international actors.’ The concepts of field and societal sector emerged out of role-set theories in sociology where individuals are seen in terms of the roles and relationships they have with each other, not just as a collection of individuals. Organization fields and sectors are similarly communities of interconnected firms or other forms of organization such as suppliers or regulatory agencies.

Subsequently, however, some proponents of the new institutionalism began to theorize an even higher level of analysis: the global or world system. These theorists, most notably John W. Meyer and his associates (Boli, Ramirez, and Meyer 1985; Meyer and Jepperson 2000; Ramirez and Boli 1982; Ramirez and Meyer 1980) contend that institutionalized forms and practices may develop and disseminate above the field, sector, and nation-state levels. Ideas, imageries, and functions may emerge in one setting but migrate globally, being incorporated in regulative, normative, and cognitive systems operating at the world system level. For example the notion of what constitutes progress may be encapsulated in measures such as the Gross National Product (GNP) which diffuses through the world polity, which is composed of international bodies such as the World Bank, the United Nations, and the International Monetary Fund. This results in common measurements and policies in very different settings. Ideas such as financial transparency and practices such as accounting rules, initially alien in non-Western societies, are carried across national boundaries by consulting firms and Western educational institutions that attract international students who eventually return home with new constructs. Ideas, concepts, and practices are thus rationalized as ‘normal’ and become embedded in organizations globally (cf. Drori, Jang, and Meyer 2006).

Proponents of the new institutionalism, though, have also pursued lower levels of analysis. The earliest proponents of the new institutionalism implicitly theorized dynamics within organizations when they contended that the institutional elements drawn from the environment were not tightly coupled with the organization’s technical core. Subsequently, Fligstein (1996) developed what he referred to as a ‘political/cultural’ theory of the firm, which considers the interplay between regulative, normative, and cognitive structures within the organization. He contended that different coalitions of managers that embrace dissimilar norms and

cognitive models, which are derived from the environment, vie for power within the firm. The coalitions that rise to power adopt structures and pursue strategies and tactics that are consistent with their cognitive models. Fligstein argued that executives with finance backgrounds rose to power in the 1960s and 1970s, replacing marketing and production executives. Finance executives embraced the finance conception of control, which understood the firm to be a portfolio of investments. The finance conception of control had its origins in agency theory, which was disseminated by the major US business schools. It was consistent with the adoption of the multidivisional form and the pursuit of diversification via mergers and acquisitions, a policy that was also consistent with recent developments in anti-trust law and federal government policy. Others have also developed new institutional arguments at the level of the organization, such as Ocasio's (1999) analysis of the institutionalization of norms and rules regulating executive succession in large corporations.

More recently, some proponents of the new institutionalism have migrated to the individual level of analysis. For example, Zbaracki (1998) has examined managers' adoption of Total Quality Management (TQM), analyzing how managers conceptualize and in the process transform this innovation as they adopt it. Elsbach (1994) has looked at how the cattle industry responded to a health crisis, examining how managers employ legitimated logics to protect themselves from potentially damaging criticisms. In both articles, managers are drawing on institutional elements in the environment to conceptualize and solve managerial problems. Finally, George et al. (2006) have attempted to develop the cultural-cognitive pillar of the new institutionalism by engaging with behavioral theories of decision making.

Substantive areas

The earliest new institutionalist analyses were geared towards debunking rational and functionalist accounts of organizational

change. These analyses portrayed change justified on rationalist or functionalist grounds as primarily symbolic in character, geared not to alter the way organizations conducted their business but rather towards winning approval from important constituents of their environments (Meyer and Rowan [1977]/1991). Some recent new institutionalist analyses continue this debunking tradition (Drori, Jang, and Meyer 2006). Soon after the new institutional lens was ground, though, it was adopted by organization studies scholars as a tool with which they could ply their trade. In the early years of the field (long before the new institutional framework was fashioned), organization studies scholars embraced Litchfield and Thompson's exhortation to focus attention on the administrative process, which they characterized as a 'cycle of action,' consisting of decision making, programming, communicating, controlling and reappraising (Litchfield 1956: 12). As the field developed, the conception of the administrative process broadened. Mintzberg (1971) discovered that the administrative process consisted of a wide range of activities that were divorced from decision making, programming, etc. And Pfeffer (1976) identified the institutional level as an important and largely ignored domain of managerial action. When it emerged in the late 1970s, the new institutionalism became a new theoretical resource from which hypotheses could be drawn for deductive work and to which new ideas could be added via inductive work on virtually every substantive topic of the day. It is now hard to think of a substantive topic within organization studies where the new institutionalism has not left its mark; from the hiring of workers (Dobbin and Sutton 1998), the choice of accounting systems (Mezias 1990), the adoption of innovations (Westphal, Gulati, and Shortell 1997), the implementation of innovations (Zbaracki 1998), to the promotion of top managers (Ocasio 1999), the pursuit of particular strategies and structures (Fligstein 1990), the adoption of particular growth tactics (Palmer et al. 1995);

and the understanding of temporal and spatial variation in all of the above (Guler, Guillen, and Macpherson 2002; Schneper and Guillén 2004).

Assessment

This discussion suggests that new institutionalism is now an extremely comprehensive theory. Proponents of the new institutionalism have drawn upon several of the social sciences for their insights, although they could range further from their largely sociological base to incorporate the work of political scientists, economists and, in particular, the work of psychologists to a greater extent. The proponents of the new institutionalism have also plied their trade at multiple levels of analysis, although they could certainly stray further from the highest levels to examine organizational and even more individual level phenomena. Finally, proponents of the new institutionalism have used their theoretical lens to examine a wide range, perhaps the full range of organizational phenomena recognized by contemporary organization studies scholars.

With this said, we wonder whether some of the NI's most penetrating insights are at risk of being lost as it expands to incorporate multiple disciplines, operate at multiple levels of analysis, and address a cornucopia of substantive topics. We think that such a risk is exacerbated by the fact that organization studies scholars have increasingly been concentrated in graduate schools of management and business and that their scholarship is influenced by managerial and business concerns (Augier, March, and Sullivan 2005; Perrow 2000). The unique insight of the new institutionalism, an insight that it shares with few if any other organization theories, is that organizations and organizational participants are products of the larger social structure; in particular, the cognitive elements of that structure. As a result, organizations and the people who inhabit them act in ways that are taken for granted as appropriate and even presumed to be rational, despite the fact that these ways of being are

fundamentally arbitrary. In the hands of contemporary organization studies scholars, these fundamental insights have increasingly been used to develop theories, analyses, and even prescriptions about how organizational leaders can obtain legitimacy and attendant benefits for their organization. And in the process, a theoretical perspective that views organizational action as fundamentally non-rational and non-functionalist becomes a tool for analyzing behavior in and of organizations in such a way that it is seen as even more self-consciously instrumental.

Cumulative theory

If a general theory explains organizations in multiple settings and a comprehensive theory draws on many disciplines to explain a wide range of organizational phenomena at multiple levels of analysis, a theory that is cumulative is one that grows better with additional studies that expand its scope, strengthen its powers, and reveal and diminish its limitations. For a theory to grow, researchers must self-consciously tackle the theory as an object of study, growing and pruning it as evidence and argument support. From a theoretical standpoint, it must refine existing concepts, clarifying and perhaps in the process bifurcating existing concepts. It must refine existing relationships, identifying scope conditions and moderating and mediating mechanisms, and, of course, it must add new concepts and relationships. This can be accomplished deductively, by examining logical gaps, limitations, and inconsistencies in the corpus of ideas that compose the theory. And it can be accomplished inductively, by conducting research to examine the adequacy of existing concepts and relationships.

There are signs that proponents of the new institutionalism self-consciously attempt to build on one another's work. Perhaps most notably, and discussed above, the concept of institution has become increasingly more multidimensional. Scott and Meyer

([1983]/1991) distinguished between technical environments, in which organizations compete with one another on the basis of their efficiency and effectiveness of operation, and institutional environments, in which organizations vie for legitimacy. Later, Scott (1987) contended that all environments are institutional, but differ in their institutional character. Importantly, in Scott's formulation, the market is one type of institutional setting, in which organizations follow the logic of competition and compete on the basis of efficiency and effectiveness. More recently, Biggart and Delbridge (2004) elaborated a typology that distinguishes between different types of market settings on the basis of their institutional structure.

Similarly, the concept of loose-coupling was initially conceived as a baseline assumption of the new institutionalism, allowing proponents of this perspective to analyze the adoption of innovation in market contexts. For-profit organizations could more easily be understood to incorporate institutionalized elements that increased their legitimacy but not their efficiency if those elements were integrated in a way that left them loosely-coupled with their technical core. However, Westphal and Zajac (2001) reinvigorated the concept of loose-coupling by characterizing it as a variable attribute of organizations which could be analyzed like other innovations. They contended that stock buy-back programs became legitimate as agency theory became widely accepted, because they promised to reduce the separation of ownership and control which generated agency costs. They argued, however, that firms typically announced but did not implement such programs so that they could obtain the legitimacy benefits from them without actually changing corporate policy. They demonstrated that firms adopted such loosely-coupled stock buy-back programs to the extent that they were linked to other firms that had already pursued them.

Certainly, though, there are areas where the new institutionalism appears to be spinning its wheels more than it is making

forward progress. Perhaps no area is defined by the spinning of wheels more than the new institutionalist work on the diffusion of innovation. Early work in this new institutionalist domain generated evidence that issues of efficiency and effectiveness became less important in the adoption of new innovations as new practices proliferated (Tolbert and Zucker 1983). Subsequent work built on this early research by showing how normative processes (the incorporation of professionals who championed innovations) and mimetic processes (linkage to other organizations already embracing the innovations) stimulated adoption at the late and early stages of a new practice's proliferation (Palmer, Jennings, and Zhou 1993). Additional work added precision to this research, focusing on how the characteristics of adopters, objects of social comparison, and the innovations themselves shaped diffusion (Davis and Greve 1997). However, research on the diffusion of innovation typically failed to consider the operation of coercive processes (Mizruchi and Fein 1999). Instead, a plethora of studies proliferated that evaluated essentially the same hypotheses as applied to different kinds of organizations and different kinds of innovations.

Assessment

The new institutionalism has exhibited signs of growth, as concepts become differentiated and refined and relationships become elaborated, partly as the result of empirical research. To this conclusion, though, we add one caveat. As the NI might predict, organizations studies scholars seeking legitimacy for their own work often cast their work as falling under the protective umbrella of theoretical perspectives in vogue at the time. We think that too often the new institutionalism has served as a shade tree under which organization studies scholars, some of whom are only peripherally connected to the new institutionalist project, have found company and support with little in the way of self-criticism and self-improvement. This was perhaps to be expected in the theory's adolescence, as

scholars promoted new institutionalism as superior to alternative theories such as economic perspectives. However, for theoretical development the NI community is obliged to consider issues of validity, paradigmatic purity, application, methodologies, and other matters that reveal the strength and limits of the NI.

ALTERNATIVE MODELS OF THEORY

Our assessment of the theoretical status of the new institutionalism uses Litchfield and Thompson's model of theory as they developed it 40 years ago as a benchmark. We adopted this yardstick because we believe the most contemporary organization theorists develop their ideas with this model of theory building in mind. However, there are competing models of doing organization studies. In this section we briefly review three alternative conceptions of what constitutes a 'good' theory: the social mechanism approach, postmodernism, and critical realism. Furthermore, we assess their suitability for developing the new institutionalism as a theoretical enterprise.

The social mechanism approach

Recently Hedström and Swedberg (1998) proposed the articulation of cause and effect relationships called social mechanisms that occupy a position between pure description and universal laws. These postulated middle-range relationships do not hold in all contexts and cannot be used to predict social developments. Rather, they can only be drawn on to explain social developments in specific contexts after the fact. Davis and Marquis (2005a; see also Davis 2006) are the foremost proponents of the social mechanism approach in organization studies. They contend that this approach is particularly appropriate in the contemporary period because social mechanism reasoning is particularly

useful in explaining organizational change and because current organizational realities are in flux. Further, they argue that the new institutionalism is a particularly fruitful archive from which to draw social mechanisms, because the new institutionalism operates at the field level of analysis and organizational fields are in flux. This approach to organization theory differs from the Litchfield and Thompson approach in important ways. It eschews general theory and cumulative theoretical development. It also eschews prediction, which is inherent in the L&T view. Importantly, Davis and Marquis contend that organization theorists, at least macro-organizational behavior theorists, have already largely embraced this approach. Davis (2005) reports a survey of the last 10 years of *Administrative Science Quarterly* that reveals that the vast majority of macro-organizational behavior articles are 'problem-driven'; that is, motivated by a desire to explain events in the world rather than by a desire to test a particular theoretical idea. Furthermore, most of these problem-driven articles drew on multiple theories to develop possible (sometimes alternative) explanations of these events.

Davis and Marquis (2005a) review a variety of studies that use the social mechanisms approach and draw on institutional theory to implement this approach, one of which is Davis and Marquis's (2005b) own study of the causes and consequences of convergence in corporate governance form, as evinced in the listing of foreign firms on the New York Stock Exchange (NYSE) and Nasdaq. Davis and Marquis drew on institutional theory to identify several social mechanisms that might explain these listings. Foreign firms might list on the NYSE and Nasdaq after they turned American, presumably suggesting the operation of the institutional mechanism known as mimetic isomorphism. Or firms might turn American after they have been listed on the NYSE and Nasdaq for a while, perhaps suggesting the operation of coercive mechanisms. Or foreign firms might turn American to the extent that they are tied

via interlocking directorates to American firms, presumably suggesting the operation of normative mechanisms. Or foreign firms might remain inert, while new firms are born American, suggesting the operation of imprinting. According to Davis and Marquis, the new institutionalism could not provide researchers with an *a priori* definitive explanation of why foreign firms listed on the NYSE and Nasdaq. But it could provide a number of possible explanations of why firms listed on the NYSE and Nasdaq that could be tested for *post hoc* plausibility. Their empirical analysis provided support for the imprinting mechanism.

This use of institutional theory as a compendium of causal arguments that can be drawn upon to explain organizational phenomena seems sensible. There are many concrete historical developments that have organizational dimensions and that cry out for adequate explanation. For example, the emergence and proliferation of terrorism, especially state-sponsored and religion-inspired terrorism, throughout the world is an important phenomenon, perhaps most obviously because it is responsible for considerable political instability and much human suffering. Yet our understanding of terrorism is infantile (Stampnitzky 2006) and terrorism is certainly an organizational phenomenon, requiring complex coordination. We think an analysis of terrorism that draws on organization theory, including the new institutionalism, could be exceptionally insightful (cf. Perrow 1999).

With this said, we think that adopting the social mechanism approach to theory building to the exclusion of the L&T approach would be worrisome. Perhaps most important, a single-minded application of the social mechanism approach would by definition bring the creation of new theory to a halt. If we only borrowed social mechanisms from existing theory to develop explanations of observable phenomena, the store of social mechanisms available to explain observable phenomena would not grow. In order for theory to grow, proponents of the social

mechanism approach would also have to embrace the process called 'reappraisal,' which Litchfield and Thompson considered fundamental to the scientific method. Specifically, proponents of the social mechanisms approach would have to view efforts to validate one as opposed to another possible social mechanism explanation of an organizational development as an opportunity to evaluate and thus confirm, reject, or refine existing social mechanisms arguments.

Postmodernism

Postmodernism has a variety of expressions (cf. Weiss 2000; Deetz 2000). One can distinguish four thrusts of postmodernism in organization studies. A substantive thrust characterizes contemporary organizations as qualitatively different (i.e., as postmodern) from previous (modern) organizations. A methodological thrust advocates the use of deconstruction to reinterpret dominant understandings of organizations. Perhaps most importantly, deconstruction provides a means to read scientific understandings of organizations as value-laden and biased accounts that are but one of many possible interpretations. An epistemological thrust, referred to as the skeptical postmodernism by Kilduff and Mehra (1997), calls into question the enterprise of attempting to uncover the truth about organizations, by calling into question the independent existence of organizational reality and maintaining the existence only of multiple interpretations of a presumed reality. Finally, a theoretical thrust, characterized as the affirmative postmodernism by Kilduff and Mehra (1997), attempts to develop new, interesting, and exciting understandings of organizations, at the same time holding in reserve various degrees of skepticism about the independent existence of organizational reality. It is this theoretical thrust that is most relevant to our analysis here.

The types of understandings that the affirmative postmodernism develops about

organizations have a number of defining characteristics, some of which they share with understandings produced by other alternative modes of inquiry, such as feminist theory, critical theory and post-structuralism (Agger 1991). Postmodern understandings tend to explicitly acknowledge the point of view from which they are developed. Further, the points of view from which postmodern understandings are developed tend to be those of constituents who are typically ignored (e.g., subordinates, women, minorities, etc.). Postmodern understandings tend to be conveyed through a more personal language. They tend to be less definitive, inviting leeway for audience interpretation. And they may aid in stimulating practical action on the part of the constituency from whose point of view they are formulated. There are relatively few studies that include all of these characteristics, although there are a few exemplary studies, perhaps most famously Martin's (1990) analysis of a male top manager's utterances about a pregnant female employees' devotion to the firm.

While the new institutionalism does not exhibit any of the above four specific characteristics, it does tend to exhibit a general point of view that resonates with postmodernism. Postmodernism takes seriously the idea that reality (to the extent that we can speak of reality as an independent state) only comes into practical existence insofar as it is encoded in representations of social actors. Thus, postmodernism considers representations of reality (and the relationships among them), rather than reality itself (and the relationship of representations to it), as the crucial objects of study. The earliest proponents of the new institutionalism called into question the independent existence of the technical realities of organizational structures and practices. They considered many organizational structures and practices to be rationalized myths that took on the appearance of reality and were taken for granted as such. Thus, educational organizations adopted structures and practices prevalent in business organizations because they were assumed to

be efficient. Insofar as the adoption of these structures and practices facilitated their survival, by bringing adopting organizations legitimacy and resources, they acted as if they were efficient.

With that said, the proponents of postmodernism tend to eschew the pursuit of theories composed of precise constructs and formal relationships that apply across contexts and grow cumulatively independent of the phenomena that they are designed to apprehend (Van Maanen 1995). Thus, to the extent that new institutionalists embrace a postmodern sensibility, they will likely impede the development of the new institutionalism as a theory in the Litchfield and Thompson sense. We do not by any means intend this assertion to imply a critique of the postmodern perspective. We merely wish to note what we believe is the obvious; that the pursuit of the postmodern perspective, like the pursuit of the social mechanisms approach, is fundamentally incompatible with theory building in the Litchfield and Thompson sense.

Critical realism

Critical realism (CR) is a largely British philosophy developed by Roy Bhaskar ([1975]/1997, [1979]/1998, 1986) and others (e.g., Archer 1995; Collier 1994; Sayer [1992]/1997, 2001) that offers a 'third way' between positivism and postmodernism. In contrast to both approaches, it begins with the ontological nature of the objects under study, which then determines their proper epistemology (i.e., how they can be known), rather than the other way around (termed the 'epistemic fallacy'). CR has become increasingly popular among social theorists and practitioners. However, it has only recently begun to make headway into the organization studies and management literature (e.g., Ackroyd and Fleetwood 2000; Ekström 1992; Reed 2005).

Similar to the social mechanisms approach, CR provides an explanatory framework based upon the identification of

the mechanisms that produce the organizational phenomena observed by researchers. In contrast to their approach, however, CR provides a stratified social ontology distinguishing between the levels of the real, the actual, and the empirical. Acknowledging that all social phenomena operate in open systems, these distinctions allow critical realists to explain why a particular mechanism that is 'in play,' so to speak, may only be contingently actualized and empirically identified. Hence, the powers of generative mechanisms operate 'transfactually' in open systems and may not be realized due to the operation of countervailing causes (i.e., other mechanisms). That is, their powers 'may be possessed unexercised, exercised unrealized, and realized unperceived (or undetected) by [humans]' (Bhaskar [1975]/1997: 184). Thus, the stratified ontology of CR may give a firmer grounding to Davis and Marquis's (2005a: 336) invocation of Coleman's notion of 'sometimes-true theories.' Furthermore, unlike Litchfield and Thompson's view, which focuses on identifying *empirical* regularities, that is regularities that are actualized and empirically observed, CR identifies the important theoretical interest to lie at the level of the real.

For example, Leca and Naccache (2006) approach the NI from a critical realist perspective, providing a non-conflationist account of agency and structure in their analysis of institutional entrepreneurship. Corresponding to the three domains identified by CR, they place the actor's experience at the domain of the empirical, institutions at the domain of the actual, and institutional logics at the level of the real. At the level of the empirical, organization researchers are interested in interpreting the subjective meanings actors give to their activity through discourse analysis. At the level of the actual, institutions can be identified, even if actors do not recognize them because they have become taken-for granted. Finally, the institutional logics that underlie and shape institutions lie at the level of the real. 'Depending upon contextual factors and the actions of

actors, institutional logics will unfold in the domain of [the] actual as institutions. Institutions are the results of the ways in which actors transpose those institutional logics through precise scripts, rules, and norms in specific contexts' (2006: 632).

The identification of these abstract causal powers, the institutional logics, is carried out by organization researchers through a process of retroductive logic. Following Sayer (1992), Leca and Naccache (2006: 635; also see Bhaskar [1975]/1997) note that there is a three stage process where researchers observe connections or regularities that have been actualized in an institution, build hypothetical models that might account for the observed phenomena, and then subject the models to empirical scrutiny. By incorporating CR into the new institutionalism they hope that this approach will be able to 'bring agency back into the institutional framework without denying the crucial importance of institutional embeddedness and thus move beyond the vague notion of institutional pressures to investigate the dialectical interplay between actors' actions and institutional embeddedness' (Leca and Naccache 2006: 643; cf. Archer 1995).

CR, then, appears to potentially provide the new institutionalism with an adequate response as to *what* their theory *is*. That is, the various concepts, tendencies, and relationships that make up the new institutionalism refer to the *generative mechanisms* (consisting of both 'things' and 'relationships') of complex organizations that, in open systems, may or may not be actualized and are contingently empirically identified by social scientists. Since social scientists will never be able to construct a completely closed system, theory choice must be decided by explanatory power, rather than empirical prediction, although this will certainly remain an important, but not final, criterion. A general theory is justified because complex organizations share similar powers and liabilities across an array of organizational domains, from hospitals to corporations, from schools to the criminal justice

system; the same mechanisms (e.g., loose-coupling or isomorphic pressures) are at work. Finally, institutional processes, which have received less examination in the new institutionalism than they deserve (Barley and Tolbert 1997), such as institutionalization and deinstitutionalization, might be profitably explored through the 'morphogenetic approach' developed by Archer (1995; Willmott 2000; Mutch 2005). Nevertheless, it seems that critical realism may be open to the same problem as the social mechanisms perspective if the process of 'reappraisal' is not explicitly incorporated into its theoretical approach.

CONCLUSION

Is the new institutionalism, after 30 years, fulfilling its promise as a theory in Litchfield and Thompson's terms? Our answer is a qualified 'yes.' The new institutionalism has developed a multitude of measurable concepts and empirically verifiable relationships to describe and explain organizational phenomena. The new institutionalism also appears to be one of the most general and comprehensive theories plied by organizational scholars today; arguably more general and comprehensive than a number of theories that came before it such as the resource dependence and population ecology perspectives. And cumulative growth in the new institutionalism, resulting partly from empirical research, can be detected. Is the new institutionalism a theory in other senses of the term as well? Again, our answer is a qualified 'yes.' It has been used as a library from which researchers can borrow social mechanisms to explain organizational phenomena. And that branch of the new institutionalism that seeks to uncover the operation of taken-for-granted cognitive structures resonates with the main tenets of postmodernism. Finally, the general orientation of the new institutionalism is compatible

with the emerging critical realist perspective, which seeks to carve out a middle ground between positivism and postmodernism.

Clearly there is much that *can* be done to move the new institutionalism further in the direction of a theory in all four senses of that term. A theoretical understanding of the micro-level has only been weakly developed by the new institutionalism. For example, we think that it would be useful to build upon the sociology of culture (DiMaggio 1997), to improve our understanding of categories such as conventions and scripts (Biggart and Beamish 2003), and to engage with symbolic interactionism, dramaturgical, ethnomethodological and other interactionist theories that presume institutionalized understandings that are necessary for temporal stability in social interaction.

The question in our minds is how much further *should* the new institutionalism go? As children in the US, we were told that if we were to dig deep enough, we would end up in China. That is, we would end up *not* at the center of things, but *rather* in different even antagonistic place. We think this just might be the case with theories. At some point, attempts to develop a theoretical orientation, to make it more elaborate, more general, more comprehensive, and more encompassing of other modes of theorizing threatens to transform it into something else, its theoretical competitors. For example, it seems possible that attempts to build up the new institutionalism's currently underdeveloped understanding of individual level phenomenon by drawing more on psychology and social psychology might result not in the articulation of new ideas but rather the re-labeling (as new institutional) of old ideas. Thus we think that new institutional scholars should remain alert to the possibility that they are engaging in semantic games and stay focused on the goal of identifying truly new insights about behavior in and of organizations as they deepen and expand the scope of NI theory.

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