

Been There, Done That, Moving On: Reflections on Institutional Theory's Continuing Evolution

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In the literature of Sociology, one seldom finds references today to terms like *grand vs middle range theory*, *structural-functionalism*, and *social Darwinism*. But, for more than two decades, debates over these terms raged throughout the discipline – until the field moved on – having arrived at some conceptual agreements and letting the rest drift away. The recent history of Institutional Theory repeats conflicts over many of the same issues and themes. I am pleased to say we have also followed suit in resolving these by having the various sides' framing of issues converge some, and otherwise, moving on. Since this chapter reflects on some of these paradigm conflicts as I saw them, much of the essay is historical, written in the past tense. The good news is I am pleased to celebrate the end of an era of tough conflicts over defining Institutional Theory, and participate in its future development.

FROM POLITICS TO CULTURE

My introduction to the term 'institution' came from Parsons' classic (1956) essay on three levels of analysis in the study of organizations, published in the first issues of *Administrative Science Quarterly*. In this framework, work gets done at the firm's¹ technical level and is coordinated at its managerial level. Laws and regulations are created outside the firms' boundaries, at the institutional level, and enforced in the markets and external environments in which these organizations operate. Parsons' conception of this process was two-way, with each side mutually influencing the other. Going way beyond a closed system conception of organization, his 'Institutional' level encompassed a political world in which lobbyists, trade associations and others with direct interests met with authorities to negotiate

over rules that would govern their firms' behavior. In Parsons' terms:

Subject to the overall control of an institutionalized value system in the society and its subsystems, the central phenomenon of organizations is the mobilization of *power* for the attainment of the goals of the organization. The value system *legitimizes* the organization's goal, but it is only through power that its achievement can be made effective. (1956: 225, *italics in the original*)

Parsons' framework, and the subsequent influence of the open systems perspective had a large impact on the developing organizational field. The value (and possibility) of analytically deriving an organization's behavior from its external environment was new (Hirsch, 1975a).

Also exciting was the opportunity this provided to examine how, in turn, the organization could work to change a regulation or law from being, in James Thompson's terms (1967: 24), an unwelcome 'constraint' to a more manageable 'contingency' and, finally, a manipulable 'variable.' Two notable consequences of so analyzing organizations were developing strategies to 'beat' the market, and having a unit of analysis between the individual and society that could 'act.' Organizations were seldom conceived as such independent units in economics (in which firms were 'typical,' not distinctive), or sociology (which conceived organizations as tools implementing agendas set externally). Several of the fault lines that would later develop between what DiMaggio and Powell (1991) framed as 'old' and 'new' institutionalism trace to conflicting interpretations which subsequently developed around such questions as: how open to influence from below are open systems?; how much influence (if any) can managers exert in constructing their organizations' environments?; and, is the appropriate unit of analysis for organizational studies the organization, or the image and category of organization it is presumed to fit?

At this time (mid-1970s), the term 'institution' was not coupled with the term 'theory.' Rather, it implied a place at which political

action occurred and change was possible. As Stinchcombe (1997: 2) put it: 'Institutions were created by purposive people in legislatures and international unions, and in pamphlets of business ideologists.'

Of course, the action's result could well be to reinforce existing rules – but this remained a variable, with outcomes often uncertain. For example, my article, 'Organizational Effectiveness and the Institutional Environment,' published in *ASQ* (1975b) utilized the concept 'institutional' to track how U.S. patent law and State regulations about prescribing brand-name drugs were influenced by the pharmaceutical industry's lobbying.²

As a student of culture as well at the time (Hirsch, 1972), I found the two concepts – culture (on the one hand) and institution (on the other) did not overlap and were not linked in the field. For sociological articles addressing culture at that time, it was deemed necessary to connect the topic addressed to social structural issues (e.g., economic concentration or audience demographics), rather than focus on (just) its narrative or aesthetic content, imagery or other nonmaterial features. The 'Production of Culture' school (Peterson and Berger, 1975; Hirsch and DiMaggio, 1977) successfully extended the dominant studies of social structure to cultural issues and sites; the later 'cultural turn,' which partly reordered and reversed these priorities in subfields across social sciences, had not occurred yet (Peterson and Anand, 2004; Hirsch and Fiss, 2000).

REFRAMING THE CONCEPT OF INSTITUTION: FROM ACTION TO ICON – A TRAIN LEAVES THE STATION

I visited Stanford in 1975. Dick Scott was on leave and I was honored and pleased to be asked to teach the Sociology of Organizations class. It was a wonderful year, during which John Meyer and Brian Rowan

were finishing what became their classic article (1977) on 'Institutionalized Organizations: Formal Structure as Myth and Ceremony.' It proclaimed an explicit re-entry of a cultural framing to explain organizational actions in the face of environmental demands. The multiple ways in which Meyer and Rowan also showed organizations could 'game' the system to attain legitimacy were as clear and impressive as their point that to gain legitimacy organizations needed to respond to signals from their environments, or appear to do so. My sense at the time was their contribution was compatible with, and added to, the ways in which Thompson (1967) had suggested organizations could gain from and exert a reciprocal influence on their environments.

In the years which followed, writers on institutional theory rightly credited and praised Meyer and Rowan's formulation for being among the first to shift the field's attention away from the technical sides of measurable performance, focusing more on the importance of organizations' conformity to the appearance and symbols defined as legitimate by their external evaluators. Interestingly, these two sides of their formulation both contributed to what later became called 'old' and 'new' institutionalism. On one hand, its discussion of the symbolic environment's power to confer legitimacy had a strong influence on DiMaggio and Powell's (1983) initial presentation of the powerful role of legitimacy in rewarding conformity through isomorphism; this *one-way conferral of status* in exchange for conformity was an important step towards their subsequent formulation of 'new institutionalism' (1991). On the other hand, Meyer and Rowan's enumeration of ways organizations (through myth and ceremony) can reap rewards by only appearing to be (but not actually) conforming to that environment's signals is more consistent with what became 'old' institutionalism. These were well documented in (Marshall) Meyer and Zucker's (1989) study of *Permanently Failing Organizations*, for example. In his (otherwise critical) review of

John Meyer et al.'s volume, *Organizational Environments: Ritual and Rationality* (1983), Perrow (1985) commended what he described as a resulting contingency-like framework, exhibiting a continuum in which the assessment of some (mainly industrial) organizations was based on production and efficiency standards, while greater reliance on myth and ceremony characterized assessments of (mainly) government agencies and non-profit organizations. At this time, both conceptions of organizations and measures were included and distinguished in the growing institutional framework.³

Meyer's innovative approach was extended and applied in multiple projects with Scott. The term 'institutional' was added to what in sociology had more traditionally been attributed to culture's and symbols' influence on people and organizations. Cognitive framing rather than a focus on socialization also displaced more conventional references to 'values' and 'norms.' Before long, what we now know as 'Institutional Theory' was launched, with legitimacy as the currency for success, and its conferral uni-directional (top down). This latter focus, emphasizing the persistence of 'taken for granted' rules to conform to, brought on comparisons with population ecology – for which environments also 'dominate or overpower organizations' (Aldrich, 2006: 41) and similarly 'treat organizations as a population within an organizational field' (Greenwood and Hinings, 1997: 1026). Brint and Karabel (1991: 355) also noted its contributions to the study of institutional forms and functioning, while also criticizing the absence of interest in their origins and transformations.⁴ Interestingly, the theory's interpretation of decoupling as a deliberate strategy to avoid following rules also brought on alternative formulations proposing the same behaviors to instead be responses to confusion over multiple signals and rule ambiguity (Weick, 1995; Martin, 1992).

The theoretical ascent of culture, as establishing the appropriate behaviors to follow,

both challenged and reversed earlier overstatements by structuralists, which (paraphrasing Marx) had framed culture as insignificant 'superstructure.' The sides were now reversed.⁵ In this developing version, Institutional Theory effectively ignored the 'flipside' earlier allowed by Meyer and Rowan (1977), and Meyer, Scott, et al. (1983) to interact with their environments over determining what rules must be followed. This understanding of the term 'institutional' as political in nature, which I (and others) had utilized (and still also see) as the analytical level where the process of change and bargaining over rules occurs, was now reframed more as an untouchable icon, whose signals are set and rules enforced and not subject to challenge.

For the discipline of Sociology, this revived echoes of a long-standing debate between a focus on stability ('romancing the norm') and proponents of change. Max Weber, along with noting the power and great efficiency of rule-following bureaucracies, had also worried about how the rules they enforce can be socially harmful and in need of change. At the time of the discipline's arrival in the U.S., its proponents divided between advocates of social Darwinism vs. those seeking to reform poverty and injustice. The dispute between 'old' vs 'new' institutionalism recalled earlier competing agendas – to study deviance vs. dominance, peripheries vs. centers, exotic vs. normal activities, as well as middle range vs. functionalist formulations, and (statistically) variation on scatterplots vs. a greater focus of regression lines. A critique of new institutionalism as more 'sociology without villains' was not much of a departure from these earlier intellectual debates.

BATTLE OF THE COASTS

For the organizational field, this debate also took on what Howard Aldrich (2007) noted

as a 'battle of the coasts.' After DiMaggio and Powell (1991) published their famous ideal type dichotomy of the 'old' and 'new' institutional schools, it became clear from departmental composition and hirings that the more political version of what was now called 'old' institutional theory remained rooted in the east, while advocates of the 'new' institutional school were based primarily at Stanford and on the west coast. The 'new' institutional framework, joined by population ecology (also rooted on the west coast, mainly Berkeley), discounted the idea that organizations can or should adapt to or impact their surroundings (Greenwood and Hinings, 1996). Published articles working from this perspective came disproportionately from scholars based in (and graduating from) departments on the west coast. (Ironically, if each coast was disproportionately tied to one or the other of these poles, departments in the midwest [e.g., at the Big Ten schools] were generally learning from both and not taking sides.)

A pictorial version of this review, coupled with the happy observation that the two poles are no longer so far apart, appears in Table 33.1 of the Appendix.

RESOLUTION AND BRIGHT FUTURE

In the midst of this contention, I was honored to be selected to assess the field, as the Academy of Management OMT Division's Distinguished Scholar for 1998. In this talk ('Process Detective: A Role for the Organization Researcher'), I had a chance to reflect on how the Open Systems revolution had turned out so far. I noted the irony that it expanded the explanatory field to which we turn to explain organizational outcomes, but was failing to provide adequate

explanations for how these unfolded. My concern was that:

we now risk a closed system model of the environment. It calls its own shots, does not conform to models of what makes it change, doesn't seem to be dependent organizationally on many input or output analogues. We placed the environment in control, no questions asked. At this broader level, formalisms and scientific management can be redefined as re-engineering or process controls; informal relations can be reframed as network studies. We have reconstituted a closed system at either level. So, it's probably time for a new theory to come along and put more interaction and enactment back into the theoretical equation.

An easier solution became apparent when Michael Lounsbury and I imagined combining the best of 'old' and 'new' institutional theories. In fact, it seemed clear these ideal types could not go much farther before each needed to incorporate and 'borrow' elements associated with the other. We proposed this as the resolution for 'Ending the Family Quarrel' (Hirsch and Lounsbury, 1997), suggesting that more history and politics be permitted entry into the 'new' and more symbols and cultural framing be included the 'old.' We concluded these suggestions by stating:

We look forward to the reconciliation of the old and new institutional perspectives. ... There is so much of value and interest in each, we do not see how they can remain empirically and intellectually separate for very long. (1997: 417)

Happily (though the article was discouraged by an *ASQ* editor at the time), the field has subsequently moved in this direction. Similarly, I suggested that the research in the three pillars of Scott's (1995) typology of institutional perspectives be combined or collapsed, to encourage more options for locating 'additional complementarities and alliances *across* them' (Hirsch, 1997: 1721).

It is heartening so many of these visions have been realized. The chapters in this handbook attest to it, and their indifference to the framings of the 'old' vs. 'new' debate can help make it a thing of the past. We now benefit from the larger inventory of sophisticated concepts and methodological tools to conduct our studies. As suggested at the start of the essay, we have been there and are done with the preliminaries. The prospect of much fascinating research lies ahead. Now, to move on and continue the Institutional journey!

APPENDIX

Table 33.1 In the kingdom of the institutional

<i>Hegemony of New York Principality</i>	<i>Princes Find independence (out west)</i>	<i>Happy Ending (2007)</i>
<ul style="list-style-type: none"> • Merton>Parsons • Selznick • Perrow • Granovetter • Palmer 	<ul style="list-style-type: none"> • Meyer • Powell & DiMaggio • Scott • Zucker 	<ul style="list-style-type: none"> 'Old' and 'New' adjectives dropped from use. e.g., sample characters in Handbook: • Schneiberg et al. reframe their meaning; • Ocasio and Thornton find compatibility logic
<p>Currency: Muckraking 'Man Bites Dog' Variation and scatterplots</p>	<p>Currency: Conformity – with persistence and legitimacy reframed "No bites at all" (isomorphism; regression to mean)</p>	<p>Currency: Peace and curiosity</p>

NOTES

1 The terms 'organization' and 'firm' are being used here interchangeably.

2 If replicated today, one would learn that the number of lobbyists employed by this still powerful industry in 2007 was more than double the number of U.S. Senators and congressmen (CBS News, Sixty Minutes 2007).

3 Meyer's influence in reviving culture as an important part of the sociological landscape in which to conduct research also contributed to the explosion of studies on 'organizational culture.' His student, Terence Deal co-authored one of the first (and best-selling) texts in this area (Deal and Kennedy, 1982).

4 Interestingly, DiMaggio and Powell (1991: 12), who included Brint and Karabel's essay in the same volume, also agreed that this version of institutional theory 'usually downplayed conflicts of interest within and between organizations.'

5 I have consistently insisted both be included in our studies (cf. Hirsch, 1986). In one Author's Bio (Hirsch, 1997), I wrote that I 'have straddled the boundaries dividing culture and social structure for two decades, usually seeking more balance by taking the side of whichever one seems to be getting the worst of it from the other.'

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