



Introduction

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The motivation for this *Handbook* arose from a conversation with Don Palmer, who raised the question of whether organization theories in general have life cycles. Given the proliferation of theoretical paradigms, do organization theories build into coherent conceptual frameworks supported by diligently conducted empirical work, or do they fragment into proliferated confusion? That conversation never proceeded to a comparative assessment of organization theories. But it did lead to the present volume. It seemed, in late 2004, when the idea of a *Handbook* was mooted, an appropriate moment to take stock of the institutional perspective on organizations because we were approaching the thirtieth anniversary of seminal papers that not only triggered revitalization of interest in the role of institutions but became known as the *new* institutionalism.

It is important at the outset to set down certain scope conditions for this volume:

1. Our interest is in understanding organizations. How and why do organizations behave as they do, and with what consequences? These are the overarching questions of organization theory. 'Organizational institutionalism' is the application of the institutional perspective to those questions.
2. We focus upon 'organizational institutionalism'. Several variants of institutional analysis have been identified. Hall and Taylor (1996) propose three basic schools of thought: rational choice institutionalism, historical (comparative) institutionalism, and organizational (sociological) institutionalism. The material covered in this *Handbook* does centre upon organizational institutionalism, but we are less sure of the accuracy of the depictions provided by Hall and Taylor (1996) or Campbell (2004). In fact, we propose to show how institutionalist research applied to organizational behaviour has evolved over time and that much of this work does not fit neatly into the classifications offered by Hall or Campbell. Our stance is not to ask, what is distinctive of 'organizational institutionalism'? But, instead: 'What does the institutional perspective tell us about organizational behaviour?'
3. Our timeframe emphasizes contributions made since 1977. The late 1970s were great years for organization theory. In a very short span of years, at least three of the enduring perspectives within organizational theory were initiated: resource dependence theory, ecology theory, and institutional theory. In 1977, two papers (Meyer & Rowan, 1977; Zucker, 1977) introduced what became known as new institutionalism. We do not deny that institutions and institutional processes had been examined prior to that date (see Hirsch, Chapter 33 this volume). On the contrary, the study of institutions has a long and

respected tradition (see DiMaggio & Powell, 1991; Hinings & Tolbert, Chapter 19 this volume; and Barley, Chapter 20 this volume). However, the body of institutional work post-1977 has a focus that warrants our treatment of 1977 as a starting point.

THE SOCIAL CONSTRUCTION OF 'INSTITUTIONAL THEORY'

Institutional theory is perhaps the dominant approach to understanding organizations. Its popularity is shown in Figure 1.1, which reports the number of citations to Meyer and Rowan (1977). The steady rise in citations is impressive. And it is clear from these statistics that institutional theory is an entrenched and prevalent approach. Moreover, as Haveman and David (Chapter 24 this volume) point out, institutional theory has dominated submissions to the Organization and Management Theory Division of the Academy of Management.

But what is it? And why is it so popular? What aspects of organizational behaviour does it address? And how well does it do so?

In this section we review how the 'so-called institutional perspective' (Carroll, Goodstein & Gyenes, 1988: 238) has evolved since 1977. By doing so we are, in one sense, retrospectively tracing the social construction of institutional theory over the past three decades. We review how the term has been used in the main organization theory journals. We examine how theorists and researchers have understood the term and we uncover the organizational issues and questions to which the theory has been applied. We suggest certain pivotal moments when either the definition or the application of the theory shifted. Our motivation is to understand what makes an institutional story different from other theoretical perspectives. This is not an easy task given institutional theory's 'definitional thicket' (Zucker, 1987: 457). Moreover, any attempt to arrange nearly 30 years of research and theorizing can be challenged. Ours, we admit, is a subjective arrangement and our procedure means we may miss hidden nuggets. Nevertheless, there are some reasonably obvious temporal signposts. Thus, we begin by examining the period between 1977 and 1983, when several papers established the foundations of the 'new' institutionalism.

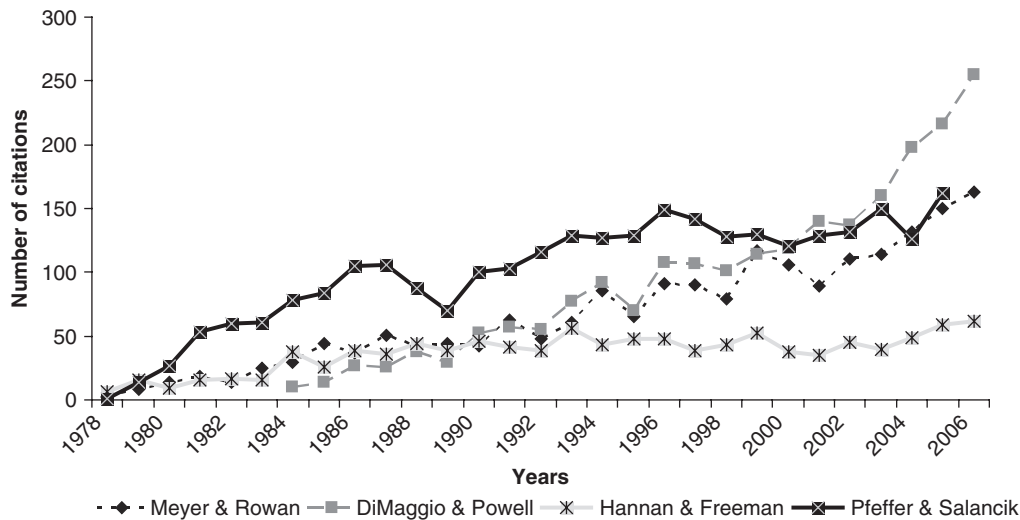


Figure 1.1 Citations to Meyer & Rowan (1977), DiMaggio & Powell (1983), Hannan & Freeman (1977) and Pfeffer & Salancik (1978)

Foundations: 1977–83

The conceptual foundations of modern organizational institutionalism were established in the works of Meyer and Rowan (1977), Zucker (1977), Meyer and Rowan (1983), DiMaggio and Powell (1983), Tolbert and Zucker (1983), and Meyer and Scott (1983). Collectively, these papers set the course for much of the next three decades, although, as we shall note, many of the works that followed were sometimes selective in their interpretations.

In the late 1970s, prevailing perspectives within organization theory largely portrayed organizations as agentic actors responding to situational circumstances. Senior managers steered organizations by interpreting their contexts and taking appropriate actions. Structural-contingency theory saw organizations adapting to circumstances of scale, task uncertainty and strategic scope by appropriate selection of structural arrangements. Resource-dependence theory analyzed how organizations sought to affect the supply of critical resources by managing their dependencies on other organizations (e.g. by careful placement of directors). Even the behavioural theory of the firm assumed adaptation to market and performance circumstances, albeit within the limits of bounded rationality. Ecological theory was the exception, emphasizing the inability of organizations to be adaptively managed, although even in this case the problem was not that managers could not effect organizational adaptation, but that they could not do so quickly enough. Each of these theoretical perspectives focused on the relationship between an organization and its environment and examined how organizations adapted – or attempted to adapt – so as to secure an appropriate ‘fit’. The environment, moreover, was the ‘technical’/market setting, much as assumed in accounts provided by economists, and the behaviour of executives (organizations) was intendedly (if boundedly) rational. It was against this context that Meyer and Rowan’s (1977) celebrated paper appeared.

Following Weber, Meyer and Rowan were interested in the rationalization and diffusion of formal bureaucracies in modern society, which they saw as arising from two conditions: ‘the complexity of networks of social organization and exchange’ and ‘the institutional context’ (1977: 346). Most attention, both in their paper and in subsequent work, was given to the institutional context, but it is worth remembering that ‘relational’ networks were seen as important influences. Meyer (1977) and Scott (1983), for example, anticipated that complex networks of interactions between organizations would increase the occurrence of rationalized myths, that complex and conflicted fields would give rise to a greater variety of organizational forms, and that field complexity would increase the likelihood of myths becoming codified into formal regulations and laws. Finally, they pointed out that rationalized myths are diffused through relational networks. Networks/fields are thus both antecedents of rationalized myths and vehicles for their transmission (most clearly set out by DiMaggio & Powell, 1983 – see below).¹

Nevertheless, the idea that captured the imagination was that organizations are influenced by their *institutional context*, i.e. by widespread social understandings (*rationalized myths*) that define what it means to be rational. Elsewhere, and less prosaically, Meyer and Rowan (1983: 84) referred to the institutional context as ‘the rules, norms, and ideologies of the wider society’. Zucker (1983: 105) looked to ‘common understandings of what is appropriate and, fundamentally, meaningful behaviour’. And Scott (1983: 163) offered ‘normative and cognitive belief systems’. The underlying focus of early institutional theorists, in short, was the role of shared meanings, institutional processes (such as cultural prescriptions, Zucker, 1977) and institutional conformity.²

Because organizations are expected to behave rationally, Meyer and Rowan proposed that rationalized myths are accepted as prescriptions of appropriate conduct.

Organizations conform to them – i.e. become *isomorphic* with their institutional context – in order to signal their social fitness and gain *legitimacy* in the eyes of critical constituencies. It is by ‘appearing to be rational’ (Scott, 1983: 160) that organizations avoid social censure, minimize demands for external accountability, improve their chances of securing necessary resources and raise their probability of survival.

However, it was believed that conforming to institutional rules might conflict with the requirements of technical efficiency (Meyer & Rowan, 1977: 310; Zucker, 1987: 445). Therefore, conformity may be ceremonial, ‘a form of confidence game’ (Pfeffer, 1982: 246) producing ‘surface isomorphism’ (Zucker, 1987: 672). Ceremonial conformity is achieved by deliberately decoupling symbolic practices from the organization’s technical core. Decoupling occurs, in other words, if the prescriptions of institutional contexts are contradictory to the exigencies of technical contexts. Ceremonial conformity may also occur because institutional contexts are often pluralistic and inconsistent (an observation of some theoretical significance, as will be shown later). The idea set out in the 1977 paper, that institutional prescriptions run counter to efficiency considerations, was qualified by Meyer and Scott (1983), who referred to institutional and technical exigencies as dimensions that can vary in their relative salience within a given setting. A more fundamental challenge would come from Carroll, Lee and Rao, (1986; see also Meyer, Scott & Strang, 1987; Zucker, 1987; Powell, 1991) who pointed out that technical contexts (e.g. markets) are themselves institutionally defined.

All organizations were envisaged as subject to institutional influences, but not to the same extent. Organizations whose technologies are not clearly linked to given outcomes and whose outputs are difficult to evaluate are particularly sensitive to the need to appear rational (Meyer & Rowan referred to them as *institutionalized organizations*). Perhaps not surprisingly, much early institutional work

equated institutionalized organizations with the not-for-profit and governmental sectors, precipitating a particular stream of research (see below) that contrasted organizations in highly institutionalized settings with those where institutional influences were presumed to be much weaker. Later, institutional ideas would be unapologetically applied to all organizations, and technical contexts would be treated as institutional constructions.

Given the originality of Meyer and Rowan’s (1977) paper, it inevitably contained underdeveloped themes and some conceptual ambiguities. There was, for example, no definition of ‘institution’. Instead, the reader is left to assume that institutions are taken-for-granted rationalized myths. Other definitions of ‘institution’ appeared early in the institutional literature, with inevitable later confusion. One definition referred to institutions as types of organizations, such as prisons, mental hospitals, nursing homes, and orphanages. Another definition referred to institutions as sectors (see Hasse & Krücken, Chapter 22 this volume), such as ‘education’, ‘business’, and ‘armies’. A final definition echoed antecedent work (e.g. Hirsch, 1975), equating institutions with the major agencies of the political economy (e.g. unions, the professions, regulatory agencies of the State). It is thus not surprising that Haveman and David (Chapter 24 this volume) should challenge institutionalists ‘to reach agreement on the meaning of central constructs and wean themselves from using the vapid term institution, which means everything and therefore nothing’. (For a contrary view, see Czarniawska, Chapter 32 this volume.).

Our purpose here is not to provide *the* or even *a* definition of institution; rather, we are interested in tracing how others defined it over the past 30 years. Nevertheless, and for the record, we understand the term to refer to *more-or-less taken-for-granted repetitive social behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and*

thus enable self-reproducing social order. Institutions are characterized by lack of overt enforcement, their survival resting upon ‘relatively self-activating social processes’ (Jepperson, 1991: 145; see also Zucker, 1977). Although institutions exist at the level of the individual (e.g. a handshake in western societies), the organization (e.g. the use of formal accounting controls, particular structures, and impersonal personnel practices), the field (e.g. hierarchies of status between categories of occupations or between organizations that affect hiring patterns and alliances), or society (e.g. a legal system based upon due process), organizational institutionalism is primarily interested in institutions and institutional processes at the level of the organization and the organizational field (although not exclusively – see, for example, Djelic & Quack, Chapter 11; Drori, Chapter 18; and J. Meyer, Chapter 34 this volume).

Meyer and Rowan also omitted to provide a formal definition of ‘institutional context’, other than that it contains rationalized myths. Tolbert (1985: 2) followed suit: ‘widespread social conceptions of appropriate organizational form and behaviour constitute the institutional environment of organizations’. As we note below, over the next two decades ‘institutional context’ would continue to prove a troublesome concept, partly because the term was used to cover two very different ideas – context as symbolic/cultural influences (as in the Tolbert quote), and context as the regulatory framework of state and professional agencies (e.g. Scott & Meyer, 1983). The latter approach is closer to that of institutional economists than to our reading of Meyer and Rowan (1977). To us, accounts of how regulatory agencies (institutions) shape organizational behaviour are incomplete institutional explanations *unless* they show how regulatory frameworks embody, enact or transmit societal norms and values. Otherwise, referring to regulatory frameworks as ‘the institutional context’ risks confusing institutional theory with resource-dependence or political-economy explanations.³

‘Institutionalization’ and ‘institutionalized’ were defined by Meyer and Rowan. Institutionalization is the process by which ‘social processes, obligations, or actualities come to take on a rule-like status in social thought and action’ (Meyer & Rowan, 1977: 341). Something is ‘institutionalized’ when it has that rule-like status. In a famous turn of phrase, Zucker concluded that institutionalization means that ‘alternatives may be literally unthinkable’ (1983: 5). Tolbert and Zucker (1983: 25) suggested three indicators of institutionalized practices: they are widely followed, without debate, and exhibit permanence.

The notion of institutionalized behaviour as something widely practiced and taken-for-granted, however, was not entirely unambiguous. On the one hand, Meyer and Rowan referred to ‘binding’ and ‘powerful institutional rules’ that are ‘in some measure beyond the discretion of any individual participant or organization’ (1977: 344). Similarly, Tolbert and Zucker (1983: 22) referred to organizations as ‘captives of the institutional environment in which they exist’. In this imagery, institutions are ‘environments’ that are ‘out there’ and to which organizations respond (Zucker, 1987). Zucker (1977), in a perceptive and rigorous application of Berger and Luckman’s (1967) ideas, insisted that ideas and practices are institutionalized when they have achieved the attributes of exteriority and objectivity. As such (and this is a distinctive feature of Zucker’s account), institutionalized acts require *no* monitoring or enforcement but persist solely through transmission from one generation to another.

Yet, on the other hand, notions of ceremonial adoption and decoupling imply foresight and choice. Even more striking are statements that ‘organizations ... often play active roles in shaping [institutional] contexts’ and that ‘powerful organizations attempt to build their goals and procedures directly into society as institutional rules’ (Meyer & Rowan, 1977: 29–30). Similarly, when Meyer and Rowan advise that in highly institutionalized

contexts managers need to exercise ‘sagacious conformity’ if they are to understand ‘changing fashions and governmental programmes’, they imply a level of active management as organizations adapt to their institutional environments. Rao and Kenney’s examination (Chapter 13 this volume) of new forms as settlements is a compelling illustration of this active management as an antecedent to institutionalization. This reciprocal tension between institutions as culturally hegemonic (with organizations ‘bound’ by taken-for-granted rationalizations) and institutions as enacted and reconstructed (with organizations responding ‘strategically’ to institutional pressures) is a ‘long-standing tension’ (Hinings & Tolbert, Chapter 19 this volume) within sociology and thus, not surprisingly, would become a central theme in institutional thinking.

In outline, then, the basic elements of the institutional thesis put forward in the late 1970s and early 1980s were as follows:

1. organizations are influenced by their *institutional* and *network* contexts. The institutional context consists of rationalized myths of appropriate conduct;
2. institutional pressures affect all organizations but especially those with unclear technologies and/or difficult to evaluate outputs. Organizations especially sensitive to institutional contexts are *institutionalized organizations*;
3. organizations become *isomorphic* with their institutional context in order to secure social approval (*legitimacy*), which provides survival benefits;
4. because conformity to institutional pressures may be contrary to the dictates of efficiency, conformity may be *ceremonial*, whereby symbolic structures are *decoupled* from an organization’s technical core;
5. institutionalized practices are typically taken-for-granted, widely accepted and resistant to change.

These elements awaited empirical verification.

The above summary contains no statement that organizations converge upon the same response to their institutional environments.

That idea arose from DiMaggio and Powell (1983), who began from the same motivation as Meyer and Rowan, namely, to understand the rationalization of modern society. But DiMaggio and Powell reframed this question into: ‘why is there such startling homogeneity of organizational forms and practices?’ (1983: 147). The answer, they proposed, resides in the structuration of *organizational fields*. As fields mature, ‘there is an inexorable push towards homogenization’ as ‘powerful forces emerge that lead them (organizations) to become more similar to one another’ (1983: 148). Homogenization, point out DiMaggio and Powell, is field or sector-specific, although this does not preclude ideas diffusing across sectors because fields have their own histories and institutional processes. Boxenbaum and Jonsson (Chapter 2 this volume) suggest that DiMaggio and Powell’s emphasis upon field-level structuration processes was a nuanced advance from the initial institutional statements, because it ‘represented a move towards a more cognitive and constitutive view of organizations’. However, DiMaggio and Powell’s framing of the problem was often misinterpreted by later researchers, who treated homogeneity as synonymous with institutional isomorphism, when in fact homogeneity is only one possible effect of institutional pressures and one that is *not*, in our view, a definitional one.⁴ We elaborate upon this point later.

The most cited contribution of the 1983 paper was its discussion of how institutionalization actually occurs. DiMaggio and Powell proposed three ‘mechanisms of diffusion’: *coercive*, which occur when external constituents – typically powerful organizations, including the State – cajole or force organizations to adopt an organizational element; *normative*, which arise primarily from professionalization projects; and *mimetic*, which occur when uncertain organizations copy others either because others’ actions are believed to be rational and/or because of a desire to avoid appearing deviant or backward. These mechanisms of diffusion are usefully considered as explaining the

motivation for adoption. Coercive isomorphism occurs because organizations are motivated to avoid sanctions available to organizations on which they are dependent. Normative isomorphism occurs because organizations are motivated to respect social obligations. And mimetic isomorphism occurs because organizations are motivated by their interpretation of others' successful behaviours.⁵ As Mizruchi and Fein (1999) and Boxenbaum and Jonsson (Chapter 2 this volume) note, most empirical studies have been portrayed (often erroneously) as studies of mimetic isomorphism, although, as we note momentarily, this is not necessarily indicative of institutional processes. Hasse and Krücken, (Chapter 22 this volume) return to European scholars – such as Luhman and Giddens – who inspired early institutional theorists, in order to show how institutional theory could overcome simplified notions of homogeneity and instead develop better explanations of heterogeneity and variation.

One insight in the DiMaggio and Powell paper that was much less influential was the connection between institutional processes and 'the influence of elite interests' (1983: 147). This insight was largely inspired by Bordieu's notion of fields (e.g. Mohr, 1998). The same theme is evident in Tolbert and Zucker (1983), and would be raised again by DiMaggio (1988). However, attention to the political consequences of institutional processes would be largely lost in subsequent institutional work (and in much of organization theory in general – see Stern & Barley, 1996; Perrow, 2002; Hinings & Greenwood, 2002).

To take stock. By 1983 the initial foundations of organizational institutionalism had been established. Two features are worth emphasizing because they are defining themes of our subject matter:

1. the central question addressed by early formulations of institutional theory was: Why and with what consequences do organizations use particular organizational arrangements that defy traditional rational explanations? As we will show, this question was initially interpreted somewhat

narrowly whereas later work embraced a widening array of issues and concerns. Thus, the initial line of inquiry looked at the adoption of the bureaucratic organizational form within a given sector or field (i.e. at the process of rationalization), whereas later inquiries looked at a wider range of organizational forms, practices and behaviours, and at the construction of the field itself. But the central focus is the organization and its relationship with its context.

2. the essential answer provided by institutional theory emphasized (and still emphasizes) the play of widely-shared and taken-for-granted social values and ideas. As Meyer and Rowan (1977: 346) famously put it: 'institutional theories in their extreme forms define organizations as dramatic enactments of the rationalized myths pervading modern societies'. Critically, the institutional explanation is not derived from the calculated self-interest of organizational actors, nor from the imperatives of instrumental functionality. Instead, the institutional explanation emphasizes that organizations seek legitimacy and survival not efficiency, and highlights the role of cognition and obligation, not self-interest.

Early years: 1983–91

Immediately following publication, most citations to Meyer and Rowan (1977) and Zucker (1977) were incidental rather than substantive. Authors simply acknowledged that social values affect organizations and/or that organizations adopt structures in order to legitimize themselves.⁶ Often, these ideas were juxtaposed against those of structural contingency theory. Few attempts were made to actually test institutional ideas and, overall, Meyer and Rowan's influence was rather modest.⁷ North American reviews of organization theory that appeared in the early to mid 1980s gave sparse attention to institutional work (e.g. Van de Ven & Joyce, 1981; Zey-Ferrell, 1981; Astley & Van de Ven, 1983; Galaskiewicz, 1985). The very term 'institutional' was not established. Fligstein, for example, referred to 'organizational homogeneity theory' (1985: 377). Galaskiewicz (1985) wrote of the literature 'on legitimation'. Only Scott (1981) and

Pfeffer (1982) were sufficiently prescient to seriously acknowledge the institutional perspective.

Outside of North America, Meyer and Rowan's ideas caught the interest of Swedish scholars who showed especial interest in the notion of decoupling (e.g. Brunsson, 1985, 1989). Public sector reforms were observed to be primarily rhetorical in form and the goal of 'modernization' was found to have little effect upon operational practices. These empirical observations confirmed the Meyer and Rowan thesis of decoupling. But Scandinavian researchers also recognized that organizations confront and handle multiple and contradictory institutions and expectations. Brunsson (1989), in particular, theorized on 'organizational hypocrisy' whereby organizations 'talk' in one way yet act in another in order to cope with contradictory contextual pressures. Scandinavian research also discerned what would later be referred to as the 'translation' process (see Boxenbaum & Johnsson, Chapter 2; Czarniawska, Chapter 32; and Sahlin & Wedlin, Chapter 8 this volume). Despite these emerging themes, the impact of Scandinavian research upon North American thinking was initially rather slight.

Gradually, the institutional thesis received fuller treatment and was 'confronted with data' (Scott, 2004: 464). But very quickly, studies claiming to be within the institutional perspective showed a diversity of approaches and a rather casual use of the term institutional. We begin, however, with four sets of studies that clearly reflected the idea of institutions as rationalized myths. The first set (which we label processual) demonstrated that organizations are motivated to achieve legitimacy by adopting practices widely believed to be rational. The second (cross-category) examined the proposition that institutionalized organizations converge around practices assumed to be rational. The third (cross-national) compared practices in different countries, testing whether distinct cultural values result in different organizational behaviours. The fourth

(means of transmission) explored how ideas are transmitted across organizations.

Processual studies

The most systematic and nuanced approach to the institutional literature was initiated by Tolbert & Zucker (1983) who looked at the diffusion of civil service employment practices across US local governments over an extended period. Adoption reflected incorporation of practices 'modelled after the business corporation, where personnel selection and promotion were presumably based on merit ...' (Tolbert & Zucker, 1983: 25). A point worth emphasizing is that Tolbert and Zucker explicitly identified the 'rationalized myth' – business efficiency via hiring based on expertise – to which municipalities were responding. The logic of Tolbert and Zucker's study is that diffusion involves two stages, each defined by the motivation for adoption. Early adopters of an idea are motivated to improve operations, 'for example, by streamlining procedures or reducing conflict' (Tolbert & Zucker, 1983: 26), whereas later adopters are motivated to secure social legitimacy by appearing 'modern, efficient and rational' even though the procedures were not especially functional. Tolbert and Zucker interpret the second stage of diffusion to mean that, as increasing numbers of organizations adopt an innovation, the innovation itself becomes 'progressively institutionalized, or widely understood to be a necessary component of rationalized organizational structure. The legitimacy of the procedures themselves serves as the impetus for the later adopters' (1983: 35). An important insight, here, is that it is the justification underlying adoption that signals whether an institutional effect is being observed. (Tolbert & Zucker did not actually measure whether late adopters were motivated by legitimacy concerns, or whether they secured it. They concluded that, because the functional imperatives that explained early adoptions did not explain later adoptions, institutional processes must have been at work. This is treating institutional theory as the default option).

The Tolbert and Zucker study was pivotal, for three reasons. It was the first large-scale, quantitative, historical analysis of institutional effects. It focused upon cognitive forms of legitimacy. And it set in train a series of studies seeking to confirm the two-stage model of diffusion. This model was largely but by no means always found in other studies, but is often treated as one of the basic insights of institutional theory. Zilber (Chapter 5 this volume), however, raises the important caution that, by focusing upon the diffusion of structures rather than upon underlying motivations, there is a high risk that erroneous conclusions will be drawn.

A second diffusion study with a historical perspective⁹ was conducted by Fligstein (1987). Fligstein showed that the backgrounds of those holding top positions in large corporations changed over the course of 60 years. From 1919 to 1939, manufacturing personnel dominated but thereafter were increasingly displaced, first by sales and marketing personnel and from 1959 onwards by finance personnel. Manufacturing personnel dominated initially because firms were largely non-diversified. But the emergence of the multidivisional form led to the rise of the sales and marketing function because that function was believed to have the appropriate skill set for the new strategy. Then, anti-trust legislation, which curtailed opportunities for vertical and horizontal diversification, provided the conditions for unrelated diversification to emerge as the dominant strategy and the ascendance of finance officers. Fligstein's analysis is thus a broad one, but it contains a mimetic explanation of diffusion: 'once new actors established themselves in one set of firms, their counterparts in other firms were able to use that fact as a basis of gaining power' (1985: 56).

Three features of Fligstein's study deserve recognition. First, he links control of the organization to intra-organizational power struggles. Second, he never uses the terms 'rationalized myths' or 'legitimacy', but his study traces how generally accepted

(legitimated) ideas (myths) within an organizational field are associated with adoption of particular organizational strategies and structures. Third, Fligstein is not addressing the Weberian question of why society is becoming increasingly rationalized. Fligstein disconnected the study of institutional processes from the study of rationalization. Thereafter, the study of institutional processes was free to examine any aspect of organizational form. Finally, Fligstein offers an alternative to the two-stage model of change, showing how disruptive changes in legal frameworks enable shifts in organizational behaviours by altering patterns of incentives and opportunities (see also Baron et al., 1986; Edelman, 1990, 1992). This model of change, the exogenous-shock model, became the dominant portrayal for the next two decades (see below).

Cross-category comparisons

A series of studies, mostly from researchers from Stanford University (Pfeffer & Cohen, 1984; Tolbert, 1985; Baron & Bielby, 1986; Fennell & Alexander, 1987; Pfeffer & Davis-Blake, 1987; Eisenhardt, 1988) examined Meyer and Rowan's (1977) idea that government and non-profit organizations were more likely than commercial organizations to use employment practices presumed (by the researchers) to be exemplary practices. By and large, these studies supported the idea that not-for-profit organizations are especially sensitive to institutional influences. A different observation was made by Baron, Jennings and Dobbin (1988), who tracked the diffusion of modern personnel *from* manufacturing industries to service industries (i.e. from a setting low in institutional sensitivity to one with high institutional sensitivity). Baron et al. explained their findings by saying that once practices were extensively used in manufacturing they became the standard of good practice. Another extension of cross-category research was provided by Sheets and Ting (1988) who showed that diffusion even within a category of institutionalized organizations is dependent not only

upon the need for legitimacy, but upon whether organizations are within networks that 'transmit normatively expected employment practices' (610). These cross-category studies were discontinued by the end of the decade.

Cross-national comparisons

A third approach hypothesized that social values in different countries (especially those that are relatively cohesive and isolated, such as Japan), would use different organizational practices (for a review, see Lincoln & McBride, 1987). This approach directly challenged the structural-contingency assumption of culture-free 'laws' of organizations. Lincoln et al. (1981) compared the attitudes of Japanese and US workers in 28 Japanese-owned organizations located in the United States. They found that the two groups of employees preferred different organizational arrangements. Organizations with 'inappropriate' structures, i.e. that did not reflect employee preferences, experienced employee dissatisfaction. Lincoln et al.'s study was the first in a series of studies through the 1980s that analyzed the effects of national culture (e.g. Birnbaum & Wong, 1985; Lincoln et al., 1986; Carroll et al., 1988; Hamilton & Biggart, 1988). Evidence of cultural (institutional) effects was usually found, but see Birnbaum and Wong (1985).

Means of transmission

Showing the spread of practices per se does not explain how institutional influences penetrate organizations, a question that began to be addressed late in the 1980s (and even more in the 1990s). Several means or agents of diffusion were observed, including professional networks (Baron et al., 1986; Sheets & Ting, 1988), government agencies (Baron et al., 1986), management consultants (Ghoshal, 1988) and senior executives (Harrison, 1987). Each of these means of diffusion would be extensively examined in the 1990s. But one thesis *not* picked up was Lincoln et al.'s (1981) idea that structures are adopted because of employee expectations of

appropriate structures. Yet, in some ways, this explanation is the closest to the ideas of Meyer and Rowan.

Other themes

Other themes were explored but to a lesser extent. Pfeffer and Davis-Blake (1987), in a rare study of consequences, examined how stereotypes of 'women's work' and its worth results in patterns of compensation that disadvantage women. Torres (1988) showed how professions shape regulatory structures so as to preclude organizational forms inconsistent with their interests. Imershein and Rond (1989), in a strangely neglected paper, traced how competing societal values – 'altruism' and 'efficiency' – precipitated struggles between interest groups who promote different organizational forms and how state regulators resolved these disputes.

Not all studies were entirely supportive of the institutional argument (see for example, Pfeffer & Cohen, 1984; DiPrete, 1987; Finlay, 1987; Oliver, 1988). But most were. Moreover, evidence was collected from an array of practices, including personnel procedures (Tolbert & Zucker, 1983), boundary-spanning strategies (Fennell & Alexander, 1987), corporate committee structures (Harrison, 1987) and accounting practices (Covaleski et al., 1986). Furthermore, evidence was taken from a range of settings, including universities (Pfeffer & Davis-Blake [add 1987]), hospitals (Fennell & Alexander, 1987), school districts (Strang, 1987), publicly traded corporations (Baron et al., 1986), municipalities (Tolbert & Zucker, 1983), the long-shore industry (Finlay, 1987), Hungarian agricultural co-operatives (Carroll et al., 1988), US federal bureaucracies (DiPrete, 1987), social welfare agencies (Oliver, 1988), and even the funeral industry (Torres, 1988). The sheer range and diversity of practices and settings was impressive, leading Zucker (1987: 443) to comment that: 'institutional theories have spread rapidly, a testimony to the power of the imaginative ideas developed in theoretical and empirical work'.

One reason for the expanding scope and diversity of institutional ideas was their successful juxtaposition with other theoretical perspectives. Initially, institutional accounts were largely *contrasted* with structural-contingency theory because of that theory's assumption of efficiency as the key dynamic driving organizational behaviour. But, later, institutional approaches were linked, often in a complementary way¹⁰ to resource dependence and population ecology (for a review of the 1980s, see Singh & Lumsden, 1990). Not all observers were impressed by these theoretical overlaps (Zucker, 1989, 1991, pp. 104–5). Nevertheless, insights achieved by combining institutional and ecological analysis (see Haveman & David, Chapter 24 this volume) and resource dependence theory continue to be productive.

Taking stock: 1987–91

By the end of the 1980s, ambiguities in the institutional story were becoming apparent, as were issues that were not receiving adequate attention (Perrow, 1986; Neilson & Rao, 1987; Scott, 1987; Zucker, 1987, 1988; DiMaggio, 1988; Fligstein & Dauber, 1989; Oliver, 1991; Powell & DiMaggio, 1991). One concern was that the majority of studies had been of the public sector and not-for-profit organizations. Meyer and Rowan's definition of 'institutionalized organizations' as those with weak market forces had naturally turned attention to governmental and not-for-profit organizations. Towards the end of the decade, however, this overly narrow understanding of where institutional processes would occur was being discarded as scholars recognized that 'markets' were institutions. We pointed out above that the first authors to make this point were Carroll et al. (1986) but Zucker (1987) and Powell (1991) strengthened the call for examination of all types of organizations.¹¹

A second ambiguity surrounded the concept of isomorphism. We noted earlier that several studies reported that not all

organizations respond in similar fashion to institutional processes. Given this finding, Fombrun (1989: 439) rightly asked: 'If isomorphism obtains, how then are we to explain the apparent variety of organizations that nonetheless co-exist within industries ...?' This question, we believe, points to the confusion raised earlier over the idea of isomorphism. As initially proposed, isomorphism refers to the relationship between an organization and its institutional context. But, isomorphism was (and still is, unfortunately) often taken to mean that all organizations will respond in the same way. Yet, organizations confront institutional contexts containing multiple and inconsistent myths that allow for multiple yet equally legitimate responses (a feature explicitly recognized by Meyer & Rowan, 1977: 356 and by Scott, 1983: 161). By the late 1980s, increasing references were being made to the 'substantial discord' within institutional environments rather than the 'effortless evolution of common sense understandings' implicit in earlier work (DiMaggio, 1991: 268; see also Imershein & Rond, 1989; Baxter & Lambert, 1990). Further, it was recognized that 'institutionalized myths differ in [their] completeness' (Meyer & Rowan, 1977: 354), providing scope for strategic choice in how they are interpreted (Scott, 1991). Finally, Fligstein (1985) had shown that complex organizations constitute arenas of struggle where groups compete for power and selectively appeal to institutional pressures to legitimate their claims. For all these reasons, the idea that organizations would become aligned with their institutional contexts *in the same way* became less acceptable.

Even if the institutional context is very clear and uniform in its demands, it is not clear that diffusion of any practice *per se* signifies an institutional effect. If a firm believes another to have superior knowledge and to have acted rationally, copying that firm is an act of vicarious learning, and, arguably, a purposely 'rational' decision. In contrast, if a firm adopts an innovation because it believes that doing so provides legitimacy,

that behaviour is an institutional effect. (Several leading researchers – see Haveman & David, Chapter 24 this volume, for example – view legitimacy as a defining element of institutional explanations). Convergence around a similar set of practices, in other words, could signal competitive or institutional isomorphism¹² (see Haunschild & Chandler, Chapter 26 this volume, for an elaboration of this argument). But few diffusion studies conducted in the 1980s made this distinction (neither did those conducted in the following decade). Instead, ‘institutionalization’ became associated with diffusion irrespective of the (unexamined) *motivations* for adoption. Moreover, it was assumed (wrongly) that a lack of convergence indicates the absence of institutional processes.

A third ambiguity concerned the nature of an institutional explanation. We illustrate this ambiguity by summarizing an excellent paper (Baron et al., 1986) that used ‘institutional’ in a rather different way to that put forward by the core foundational papers. Baron et al. set out to ‘sketch an institutional explanation’ (1986: 352) of the spread of modern personnel administration in the US during and after World War II. The explanation provided is that new personnel methods were adopted when ‘certain institutional pressures’ favoured adoption. What were these ‘institutional pressures’? During World War II, there was increased federal intervention in labour markets, especially through the War Production Board and the War Labour Board. These agencies sought to stabilize employment and reduce turnover in industries critical to the War effort by encouraging firms to adopt particular employment practices. Moreover, the War Manpower Commission placed responsibilities upon firms for providing data on their manpower needs, which led to increased use of job analysis and job evaluation. In effect, federal agencies were providing ‘models for personnel management’ (1986: 371) underwritten by ‘strong incentives’ (1986: 373). These models included the creation of personnel departments and the

hiring of expert staff, and use of personnel practices of a bureaucratic form. (Here we see, again, the academic interest in rationalization). After the War, personnel practitioners shifted their focus and claimed (successfully) that they had expertise relevant to the immediate post-War problems of labour-management relations such as productivity measurement. Moreover, personnel officers mobilized themselves and began their professionalization ‘project’ (Abbott, 1988).

Baron et al.’s paper is a rich story of institutional processes, embracing mimetic, coercive and normative mechanisms. But we wish to highlight that it uses ‘institution’ in two ways. On the one hand, institutions are ‘models’ that become cultural prescriptions. As such, institution is being used in the same way as it was by Meyer and Rowan (1977). On the other hand, institutions are the regulatory agencies of the political economy. In this second usage the institutional context is not one of ideas and symbols but of agencies and policies. By the end of the 1980s, Baron et al. thus illustrate how the term institution had acquired two meanings: as rationalized myths within a cultural context; and as a framework of (primarily State) regulatory agencies and policies. The former is the focus of Meyer and Rowan (1977). The latter would become the focus of the confusingly termed ‘new institutionalism’ (see, for example, Ingram & Inman, 1996; Ingram & Clay, 2000; Ingram & Silverman, 2002). *But*, this latter form of ‘institutional explanation’ need not (and in some later studies, did not) explicitly embrace socio-cultural elements. Instead, institutions would be defined, simply, as the regulatory framework. The difficulty with this usage is that it fails to separate an institutional from a resource-dependence perspective. For us, inclusion of regulatory frameworks as ‘institutions’ is appropriate *only if* it is made clear that those institutions embody taken-for-granted societal norms and values, and if these values are explicitly identified. This distinction between institutions as cultural prescriptions, and

institutions as regulatory frameworks, would recur over the next decade and beyond.

A fourth ambiguity concerned the basic questions that institutional theory seeks to answer. The foundational papers ask why there is an increasing rationalization of society and use of bureaucratic organizational forms. But organization theorists are (more?) interested in institutionalized patterns of behaviour, irrespective of whether those practices are indicators of rationalization. We referred earlier to Fligstein's (1985) tracking of the use of the multidivisional form, which is an interesting question to organization theorists. But it is *not* an application of the Weberian question of increasing rationalization. The multidivisional form (M-form) is no more an indicator of rationalization than is, say, the functional form that the M-form displaced, or the network form that followed. This turning away from Weber's (and Meyer & Rowan's and DiMaggio & Powell's) focus upon rationalization would be increasingly characteristic in the 1990s and would serve to expand the scope of institutional applications.

New directions?

DiMaggio (1988) complained that institutional work risked being marginalized unless it could incorporate 'the reality of purposive, interest-driven, and conflictual behaviour' (1988: 5). Organizations, he rightly complained, were portrayed as caught within the constraints of institutionalized norms. Consequently, institutional theory could not explain fundamental change. To progress, DiMaggio argued, institutional theory would have to incorporate an account of agency and address a series of critical questions: *How* are new organizational forms created and legitimated? *Who* has the power to legitimate a novel form? *Who* are the 'institutional entrepreneurs'? *How* are 'core institutions' delegitimized? Building on DiMaggio (1988), Oliver (1991) incorporated resource-dependence theory and suggested that organizational responses to their institutional environment may be proactive or even

'strategic', depending on various contingencies in the organization and its environment. Oliver's analysis identified possible strategic responses and the likely antecedents of their adoption.

Paradoxically, others believed that much institutional work held an oversimplified approach to agency. Neilson and Rao (1987) criticized existing work for: 'treating legitimacy as something to be managed in a functional sense by dominant coalitions. This creates the serious risk of oversimplifying legitimacy into a matter of marketing and effective presentation rather than approaching it as a complex process of socially constructing reality' (1987: 525).¹³ (This observation, curiously, is particularly appropriate today.) A key difference between these different standpoints is that Neilson and Rao were criticizing images of agency carried out *within* an existing institutional setting, whereas DiMaggio was interested in how that setting might be changed. For us, both criticisms had merit. Nevertheless, it was widely assumed at the beginning of the 1990s that institutional theory did not take sufficient account of how actors (i.e. organizations) were able to work on their institutional context in order to promote their interests. This imagery, however, increasingly sees institutional contexts as 'out there', as constraints on an organization, rather than as something with which the organization interacts and thus constructs.

Another proposed new direction, put forward by Powell (1991), concerned the consequences of institutional behaviour. A core assumption of the institutional story is that if organizations conform to institutionalized norms, they gain legitimacy and improve their survival prospects. But few studies in the 1980s, other than those adopting the ecological perspective, examined whether conformity did generate legitimacy, and, if so, with whom; nor did they examine whether legitimacy led to organizational survival. One exception was Singh et al. (1986), who observed that endorsement by external agencies (an indicator of legitimacy) reduced the

liabilities of newness of social service organizations. Little attention was also given to the broader *political* consequences of institutional structures, even though, as we noted earlier, the connection between institutional processes and elite interests was raised in several of the original formulations. This gap in research (exceptions included Baron et al., 1986; Imershein & Rond, 1989; Baxter & Lambert, 1990) prompted DiMaggio and Powell (1991: 30) to lament that 'power and interests have been slighted topics in institutional analysis'.

There was, however, growing awareness towards the end of the 1980s that organizations are not unitary entities and that their responses to institutional processes may be less homogeneous and less automatic than originally envisaged (e.g. Fligstein, 1985, 1987; Hinings & Greenwood, 1988). Looking back, Powell commented that: '... much of the imagery of institutional theory portrays organizations too passively and depicts environments as overly constraining. There is a wide range of institutional influences, and internal responses to these pressures are more varied than is suggested by our initial arguments.' (1991: 194; see also, DiMaggio, 1991).

In summary, as the decade turned institutional theory was clearly established within organization theory as a productive lens through which to understand organization-context interactions. But if the promise of institutional theory was to be realized there was a need to show the underlying motivations of institutional effects (rather than treat them as the default option), to pay greater attention to (and explain) the variability of responses to conflicting institutional pressures, to incorporate more agentic and political dimensions, and to explicitly look at how institutions arise, change and with what consequences. Did this happen?

Expanding horizons: 1991–2007

Most textbooks that appeared after 1991 would include some (albeit limited) discussion of the

institutional perspective. For example, Richard Daft's best-selling organization theory textbook referred to institutional theory for the first time in the *sixth* edition, published in 1997. Admittedly, most textbooks referred to institutional theory more as an interesting aside than as a core construct, but by the middle of the decade the perspective was firmly established as one of the central approaches of organization theory (see for example, Aldrich, 1999). Moreover, in terms of research, the 1990s was a theoretically rich period with an expanding agenda of applications and greater systematization of ideas. Initially, there was a focus on showing *isomorphism* and its dynamics. But, by the middle of the decade, attention had turned to the examination of legitimacy, typically accompanied by a more agentic approach. A further line of research examined institutional change, again often with an agentic approach (as indicated by adoption of 'institutional entrepreneurship' as a central organizing term). Finally, there was a renewed interest in the notion of 'institutional logics', which represented a welcome return to the importance of cultural symbols. In other words, several of the challenges raised at the end of the 1980s were being addressed, but, as we shall see, not all of them.

Before reviewing these research themes, it is worth noting that the concept of institution continued to be troublesome and used in several different ways. As before, some researchers referred to cultural models, others to the State or its policies, some simply avoided the term and pointed instead to presumed institutional effects (e.g. mimetic behaviour). Godard (1999: 683), rather politely, thought the theory had become 'increasingly amorphous'. Davis et al. (1994: 550), in similarly diplomatic tones, found the meaning of institution 'somewhat unclear'. Scott's (1995: xiv) masterful review noted that 'institution' had acquired new meanings 'much like barnacles on a ship's hull'. For most theorists, however, the problem was put aside. Much like the early days of organization theory, when a tacit

agreement occurred to stop attempting to define 'organization', there emerged an unwritten assumption that we intuitively know what we mean by institution and thus have no further need to define it.

Scott (1995) brought order to the various strands of institutional analysis by distinguishing between the regulative, normative and cultural-cognitive 'pillars' or elements that underpin institutions. Analytically, these are separate elements and have been selectively emphasized by different theorists. One consequence has been the crystallization of the two nascent approaches of the 1980s (institutions as cultural models, institutions as regulatory frameworks), and, worryingly, an increasing disconnect between them. In practice, as Scott later acknowledged, the three pillars are often found together but the cultural-cognitive pillar provides 'the deeper foundations of institutional forms ... the infrastructure on which not only beliefs, but norms and rules rest' (Scott, 2004: 5). For this reason, Phillips and Malhotra (Chapter 29 this volume) would prefer that researchers focus exclusively upon the cultural-cognitive, which they declare as the distinctive insight of organizational institutionalism. Scott, however, urges researchers to specify which pillars are operant in which settings, how they unfold, and with what effects. Few researchers, however, have satisfactorily operationalized the three pillars (Mizruchi & Fein, 1999) and in some instances (e.g. Kostova & Roth, 2002) they are deliberately blended to form a composite 'institutional profile'. Nevertheless, Scott's pillars have become one of the most-cited contributions in the institutional literature.

The notion of 'institutionalized' was less troublesome, typically interpreted to mean something that is widely used and more or less taken-for-granted. Davis et al. (1994), following Zucker (1977), offered a useful but tough definition, proposing that a practice or belief is institutionalized if it is widely accepted without recourse *to* analysis as the best way of meeting technical requirements, *and*, 'is able to withstand challenges based

on instrumental grounds' (Davis et al. 1994: 551). This latter condition, however, is rarely insisted upon in empirical work (although, see Brunsson, 2006). Instead, institutionalization has become accepted as the process whereby things become institutionalized, which, in turn, simply means that things are more or less taken for granted.¹⁴

Institutional isomorphism

Studies of isomorphism were salient in the early to mid 1990s and elaborated upon the processual and transmission studies of the previous decade. The two-stage model was examined, with mixed results. Despite this inconsistent support, the model began to be treated as having 'canonical status' (Schneiberg & Lounsbury, Chapter 27 this volume). However, research in the 1990s increasingly recognized that institutional contexts were complex, often consisting of competing institutional demands (see Boxenbaum & Jonsson, Chapter 2; Hasse & Krücken, Chapter 22; and Kraatz & Block, Chapter 9 this volume). There was thus growing interest in why and how organizations interpret and respond differently to their contexts.

Three approaches developed to explain why organizations in general are *more or less* receptive to institutional pressures. The dominant approach was structural and examined how institutional prescriptions are mediated by an organization's position in a social (network) structure, with position defined by the degree of centrality, status, or simply by ties to other organizations. Where you are, in this approach, determines what you do. Interest was shown in which organizations serve as models for others to copy, and in the means by which information and/or expectations are transmitted. Board interlocks, 'perhaps the most-studied social structure in organization theory' (Davis & Greve, 1997: 12), were extensively examined. (A smaller number of studies examined the role of spatial proximity but recognition of the role of geographic communities became rather lost and has only recently resurfaced).

An intriguing twist was provided by Westphal and Zajac (2001) who observed that network ties are not only conveyers of institutional pressures but conduits for knowledge of how to *avoid* them. Another interesting study (Davis & Greve, 1997) compared the diffusion of two practices – the poison pill, and golden parachutes for CEOs – and found that, although both practices diffused, they did so in very different ways. One diffused rapidly, the other more slowly. One diffused in linear form, the other in the classic S-curve. Further, the dynamics driving diffusion were also different. This study, in other words, highlighted the complexities of diffusion (which were thrown into relief by the comparative method) and considered the social processes whereby practices are actively justified to particular constituencies. Both studies noted that organizations can act upon their institutional contexts (see also Davis & Anderson, Chapter 14 this volume).

Although we are including the diffusion studies of the early and mid 1990s as part of the institutional story, these studies would often combine institutional with organizational learning theory or network theory – Young, Charns & Shortell (2001) actually referred to the ‘network/institutional perspective’ – and it was not always clear whether the authors’ focal interest was diffusion or isomorphism. Few studies, moreover, went beyond rates of adoption as indicative of whether practices had become established and taken-for-granted, even though, as Rao et al. point out, ‘adoption is sometimes followed by regret and abandonment’ (2001: 503). Nevertheless, the diffusion of presumed institutional effects began to be treated as evidence of institutional processes, even though the motivation and meanings underlying adoption were not established, and even though it was rarely established that adoption was permanent (‘internalized’, to use Kostova & Roth’s term, 2002). Zilber (Chapter 5, this volume) attributes the neglect of meaning and process to the preference for quantitative, macro-level methodologies rather than more interpretive, qualitative

approaches. R. Meyer (Chapter 21, this volume) adds that US dominated institutional theory lost contact with some of its European theoretical ‘forefathers’.

A second approach to understanding organizational responses to institutional pressures looked at *intraorganizational* factors. Greenwood and Hinings (1993) emphasized that organizations are coalitions of diverse professional interests that contest which of several institutional models (archetypes) should be adopted. Han (1994) identified the importance of status, observing that high and low status firms are less likely than intermediate status firms to engage in mimetic behaviour. Kossek et al. (1994) demonstrated the effects of demographics and gender in shaping organizational responses. Beck and Walgenbach (2005) turned attention to more traditional contingency variables, such as organizational size (which increases the likelihood of adoption) and technology (customization decreases adoption). These and similar studies confirmed that organizations are unlikely to respond uniformly to institutional processes, although the ‘choice-set’ (Greenwood & Hinings, 2006) of options is institutionally defined.

Towards the end of the 1990s, a third approach, as yet not fully developed, turned attention to notions of *organizational identity*. How organizations respond to their contexts is affected by how far institutional pressures are consistent with the history and broader norms that define an organization to its members (Elsbach & Kramer, 1996; Fox-Wolfgramm et al., 1998; Labianca et al., 2001; Kostova & Roth, 2002). The relationship between institutional processes and organizational identity is complex and reciprocal (see Glynn, Chapter 16 this volume) with institutionalized social categories and symbols providing the materials from which a claimed identity is constructed (who we are is defined by whom we profess to be like) and by which identity is displayed. Organizational identity, in other words, mediates how organizations interpret and respond to institutional expectations.¹⁵

Implicit in the above three approaches, to a greater or lesser degree, was the idea that institutional models or prescriptions are 'out there'. This assumption is clearest in the structural approach to diffusion, which basically tested whether a particular structural form or technique was adopted or not. A very different imagery, referred to earlier, is provided by the Scandinavian school, which emphasizes the diffusion of ideas through a process of 'translation' (see Czarniawska, Chapter 32 and Sahlin & Wedlin, Chapter 8 this volume). Instead of treating institutionally prescribed structures and practices as 'out there' and as adopted more or less 'as is', translation assumes that ideas and practices are interpreted and reformulated during the process of adoption. Several studies in this tradition focused on the interplay of translated ideas and transformed organizational identities (Sahlin-Andersson, 1996; Sevón, 1996; Hedmo et al., 2006; Wedlin, 2006). Inevitably, translation implies deliberate and accidental or unintended transformations of ideas as they transfer from one setting to another, and the potential for continuous adjustment and change, much as anticipated in Giddens' notion of structuration. The Scandinavian approach was thus more faithful to the social constructionist principles of institutional thought. Early Scandinavian contributions had been relatively ignored, but pivotal statements by Czarniawska and Sevón (1996) and Sahlin-Andersson (1996) generated increased attention in North America.¹⁶ These works observed that imitators are often motivated to become similar to other organizations and yet seek to distinguish themselves.

Studies of diffusion and translation clearly allowed for agentic action. Organizations were no longer presented as conforming to institutional demands, but as making sense of them, adapting them, enacting them, and working upon them (e.g. Glynn, Chapter 16 this volume). This is a very different image to that conveyed at the beginning of the decade, indicating that DiMaggio's call for inclusion of agency and interest, a call amplified in the

mid 1990s (e.g. Scott, 1995; Christensen, Karnoe, Pedersen & Dobbin, 1997; Hirsch & Lounsbury, 1997; Stinchcombe, 1997), was being answered. Research in the 1990s had turned decidedly agentic and remained so, perhaps too much so, into the 2000s.¹⁷

Legitimacy

If the motivating question of the 1980s had been '*Why is there such startling homogeneity of organizational forms and practices?*' (DiMaggio & Powell, 1983: 147), one of the two motivating questions from the mid 1990s became '*How do organizations acquire, manage and use legitimacy?*' (the second was, How do institutional arrangements change? – see below). We attribute this shift in attention, at least partly, to the growing acceptance that neither institutional contexts nor organizations are homogeneous. But it may also have been a response to the amplified appeal for inclusion of interests and agency. For example, one approach drew upon impression management theory to show how organizations acquired and sustained social approval (e.g. Elsbach & Sutton, 1992; Elsbach, 1994; Arndt & Bigelow, 2000). A rather different and interesting example of agentic behaviour is Westphal and Zajac's (2001) study of why some organizations that announce stock repurchase plans (announcements favourably received by investors) fail to implement them (with the result that CEOs retain discretion over the allocation of corporate resources). According to Westphal and Zajac, the decoupling of announcements from implementation was especially likely in corporations with powerful CEOs. In other words, 'powerful actors mediate institutional effects' (2001: 207; see also Zajac & Westphal, 2004). Again, we see the recognition of agency and the role of interests in how organizations respond to institutional pressures. (More recently, we see 'embedded agency' featured as a core characteristic of institutional logics – see Thornton & Ocasio, Chapter 3 this volume.)

Renewed interest in legitimacy went hand in hand with two developments. First, there

were attempts to give greater precision to what the term means. Suchman's (1995) classic statement distinguished between pragmatic, moral, and cognitive legitimacy, and identified the various audiences who confer it. Aldrich and Fiol (1994) separated sociopolitical from cognitive legitimacy. Ruef and Scott (1998: 877) and Scott et al. (2000) crystallized (and in our view raised the standard of the research bar) by declaring the need to specify much more clearly *which* organizational elements are affected by institutional processes, *which* audiences confer legitimacy, and *what form* of legitimacy is being conferred. Interestingly, most studies that followed would point to external audiences, such as the media and professional associations; only a minority noted the role of internal audiences (e.g. Staw & Epstein, 2000; Pollock & Rindova, 2003). The important point is that greater specificity was being introduced (see Deephouse & Suchman, Chapter 1 this volume).

Interest in legitimacy also led to a call for better empirical measures. Zucker (1989) had questioned the use of density (the number of organizations with a particular arrangement) and called for better proxies of cognitive legitimacy. In the mid 1990s, this argument flared into a spirited debate between Baum and Powell (1995) and Hannan and Carroll (1995) with the former advocating use of richer and multiple measures, such as certification contests, credentialing mechanisms, training programmes, and so forth. Despite these attempts to obtain greater conceptual precision and more credible empirical indicators, Foreman and Whetten would later complain that 'there is little agreement on how it (legitimacy) is defined and/or measured' (2002: 623). Deephouse and Suchman (Chapter 1) reaffirm this complaint, but also note, encouragingly, that efforts are being made to use richer empirical indicators, such as media statements, certification and licensing, endorsements, and links to prestigious organizations.

Only a minority of studies during this period explicitly examined whether conformity to cultural prescriptions delivered social legitimacy and/or improved organizational survival chances and/or affected performance in other ways. Early in the 1990s, studies that examined the consequences of conformity largely concluded that legitimacy did, indeed, follow conformity, but were less clear on whether performance was affected. Later, several studies connected legitimacy positively with performance (see Deephouse & Suchman, Chapter 1). Higgins and Gulati (2003), for example, provided an insightful account of how legitimacy affects the ability of young firms to attract prestigious investment banks as lead underwriters for initial public offerings. Arthur (2003; see also Deeds, Mang & Frandsen, 2004) showed that legitimacy gained from adoption of work-family human resource initiatives affected a company's share price. Zimmerman and Zeitz (2002) traced how legitimacy enabled new ventures to grow by assisting their acquisition of resources. In sharp contrast, Kitchener's (2002: 411) study of academic health centres in the US revealed that 'uncritical adoption of managerial innovations can prove to be more malignant than benign in their implications' and Denrell (2003) provided a theoretical explanation for why mimetic behaviour will result in poorer performance. A rather different take on the role of legitimacy was provided by Sherer and Lee (2002), who note that high legitimacy enables organizations to *deviate* from established practices. Overall, these results demonstrate the complexity of the relationship between legitimacy and performance.

Institutional entrepreneurship and change
DiMaggio's (1988) challenge that institutional theory should provide an account of deinstitutionalization and institutional change was met by a flurry of work. A pivotal expression was the Special Issue of the *Academy of Management Journal* (Dacin, Goldstein & Scott, 2002). Later, institutional entrepreneurship emerged as a key term and

became almost synonymous with institutional change. In fact, from the later 1990s the focus of institutional change was the construction and legitimation of new practices (see Hardy & Maguire, Chapter 7 this volume). Such was the appeal of this proposed research agenda that understanding institutional entrepreneurship became a cottage industry from about 2000 and indicates, again, the currently strong agentic emphasis within institutional work. Organizations became treated as the independent rather than the dependent variable in processes of institutional change.

An important early study of institutional change focused upon the organizational field. Leblebici, Salancik, Copay and King (1991) took account of the variety of actors typically embraced within the definition of field (actors too often neglected in later studies that claimed to be field-level analyses) and provided an insightful account of how interactions between them evolved within the US radio broadcasting industry from its inception in the early 1900s to the mid 1960s. The paper explicitly addressed the conundrum of agency, asking how actors can reflect upon and change institutionalized practices in which they are embedded. Leblebici and his colleagues provided four important contributions, three of which shaped the trajectory of subsequent research. First, they explicitly theorized at the level of the organization field, which became the level for institutional analysis (see Wooten & Hoffman, Chapter 4 this volume). Second, they argued that the *locus of change* within a field is likely to be 'fringe' or peripheral actors because these organizations are less embedded within, and less privileged by, existing institutional arrangements.¹⁸ Third, they emphasized the importance of 'internal contradictions' (Leblebici et al., 1991: 337) that emerge as fields develop, thus providing the starting point for an endogenous explanation of change, an idea that remained largely ignored until it was revisited by Seo and Creed (2002). Finally, Leblebici et al. (1991) noted how new technologies invoke use of

analogies, i.e. existing cognitive frameworks are used to make sense of ambiguous or novel events. Few studies have replicated this theme.

In contradiction to Leblebici et al.'s idea of endogenously driven change, most North American¹⁹ studies followed the assumption of the 1980s that institutional change is triggered by an exogenous shock or 'jolt' (Meyer, 1982), whereby change happens as a consequence of external factors 'smacking into stable institutional arrangements and creating indeterminacy' (Clemens & Cook, 1999: 447). The exogenous shock model retains the image of highly institutionalized settings exhibiting stability and relative inertia over long periods. Gradually, however, institutional fields came to be seen as more conflicted and pregnant with suppressed interests (see Hasse & Krücken, Chapter 22, and Wooten & Hoffman, Chapter 4 this volume). And, as the 1990s ended, the exogenous model was revitalized by the inclusion of social movement theory (see Davis & Anderson, Chapter 14; Schneiberg & Lounsbury, Chapter 27; and Rao & Kenney, Chapter 13 this volume). Social movement theory not only provides a language for understanding how radically new ideas are framed and theorized in order to further their acceptance, but assumes explicit contestation between actors whose interests are disadvantaged and repressed. All of these depictions contrasted sharply with the portrayals of the 1980s. Instead of institutional settings being seen as highly stable, permanent and characterized by conformity, they were now treated as contested terrains contoured by variation, struggles and relatively temporary truces (or 'settlements', Rao & Kenney in Chapter 13). This new imagery raised the profile of power relations (see Lawrence, Chapter 6 and R. Meyer, Chapter 21 this volume).

One worry about the attention given to political struggles is that the institutional dimension sometimes recedes into the background. A critical contribution of institutional analysis is its recognition that actors are not motivated solely by self-interest.

Yet, at times, studies that analyze the strategies used by actors/entrepreneurs to achieve institutional change often ignore how and why institutional forces shape the strategies accepted as appropriate and the choice of strategies made by particular actors. Unless political processes are explicitly couched within an institutional context, the resultant story becomes premised upon actors behaving quasi-rationally *and* knowingly pursuing their interests. For us, this would be a political or resource dependence account, not an institutional one.

A very different and important approach to institutional change followed the definition of institution as the apparatus and policies of the State (Edelman, 1990, 1992; Dobbin, 1992, 1993; Edelman, Abraham & Erlanger, 1992; Dobbin, Sutton, Meyer & Scott, 1993; Edelman, Erlanger & Lande, 1993; Dobbin & Dowd, 1997, 2000; Edelman & Suchman, 1997; Edelman, Uggen & Erlanger, 1999). A sub-emphasis within this perspective was the relationship between organizations and the law. There is much to admire in these papers. One theme is that laws and regulations create and/or enhance interests. Dobbin (1992), for example, showed how legislation encouraged development of the private insurance industry. Edelman (1992) linked legislation on 'due practice' to the evolution of the personnel profession. Once established, these interests/agencies make it difficult to reverse public policy (a point initially made by Baron et al., 1986). Another theme is that professionals *interpret* public policy and *develop* responses that, after legal testing in the courts, diffuse across the profession. In this way, organizational responses converge and become reproduced through professional networks and enforced by the mechanisms of professional discipline. Interpretations of, and responses to, public policy are in part *constituted* by the implicit models embedded within the legal system (e.g. conceptions of fair treatment, due process, etc.). Such interpretations resonate with legal institutions such as the Courts, enhancing their acceptance and thus legitimation. Further,

personnel professionals theorize responses in ways that persuade managers to see the policies not as onerous 'red-tape', but as technical ways of improving efficiency (for example, by securing a better fit between employee skills and job requirements). Theorizing compliance in this way achieves two things. It enhances the value and status of the personnel profession (by reinforcing their interests); and, it links compliance to perceived efficiency, giving it the status of 'rational' behaviour. Through these processes, in other words, practices become rationalized myths.

Four features of the above studies deserve highlighting. First, they offer a rich account of the *dynamics* of change. They show how legislation creates interests (e.g. the professions, or new industries) which construct compliance behaviours. They show how professions *use* legislation to enhance their influence and scope of activity. They look at the role of power both within and between organizations and industries. Second, these studies began to show that legislation is not simply a structure of incentives and opportunities but a reflection of cognitive schema that are historically contingent. As Edelman and Suchman (1997: 482) put it, 'organizations instrumentally invoke or evade the law' *and* 'look to the law for normative and cognitive guidance, as they seek their place in a socially constructed cultural reality'. As such, these studies began to combine the two definitions of institutions (i.e. institutions as regulatory frameworks, and institutions as cultural models). Third, these studies discussed how policies and practices become constructed as enhancing efficiency and thus as 'rational' behaviour, and thus eventually taken-for-granted. Finally, these studies do not assume that new practices/models already exist. Instead, they point to the reciprocal relationships involving professions, regulators and organizational managers in *constructing* business models in response to ambiguous legislation. As Scott (2004: 9) notes, 'this implies a transmutation over time of regulative into normative and cultural-cognitive elements'.

Much of this work failed to become incorporated into the majority of studies that have appeared in the organization and management journals. For example, of the 12 articles on institutional change published in the Special Issue on Institutional Change of the *Academy of Management Journal* (Dacin et al., 2002), only four refer to either Dobbin or Edelman and none provides a full account of how those authors combined regulatory and cultural notions of institutions. Most work has continued to treat the regulatory institutional processes as synonymous with coercive processes arising from the power of state agencies or from organizational hierarchies, and thus has basically collapsed this component of institutional analysis into resource dependence theory, ignoring the more nuanced approach of Edelman. In short, two discrete institutional communities have developed, each drawing on different predecessor works and each being cited by different colleagues.

There is a risk of a third discrete community. Scandinavian research over the last decade has focused not upon the role of the State, but upon the emergence of 'soft' regulations (e.g. Mörth, 2004; Djelic & Sahlin-Andersson, 2006). For these theorists, the institutional change of interest is the displacement of coercive, state-level regulations by more voluntary regulations such as standards (Brunsson & Jacobsson, 2000), rankings (Wedlin, 2006), and accreditations (Hedmo, 2004). These softer regulatory structures are developed and applied by non-governmental agencies (note, for example, the influence of *The Financial Times* and of accreditation bodies such as the AACSB upon business schools!) and elicit compliance because they provide legitimacy (Djelic & Sahlin-Andersson, 2006). Two features of this work are worth noting. First, it represents another attempt to bridge the two definitions of institution. Because of their voluntary nature, soft regulations only work in conjunction with relative cultural homogeneity. There is, therefore, in this work, the same attempt observed in the Edelman and

Dobbin work, to draw upon institutions as regulatory structures (although not coercively enforced) and institutions as cultural expressions. Second, much of the work points to transnational agencies as the source of soft laws and traces the diffusion of practices across societies.²⁰

Institutional logics

The introduction of institutional logics into contemporary institutional theory is commonly attributed to Friedland and Alford (1991), who were concerned to move institutional thinking forward by incorporating an explanation for institutional change. They proposed that modern capitalist societies have 'central institutions' that have 'potentially incompatible' institutional logics. It is the incompatibility of logics that provides the dynamic for potential change. The picture is of actors recognizing opportunities for change because of their location at the interstices of conflicting logics and instigating change by 'appealing' to these logics. Thornton (2004) developed these ideas furthest and refined the list of central institutions.

Thornton and Ocasio (Chapter 3, this volume) caution that the term 'institutional logic' is in danger of becoming 'a buzz word'. Moreover, and as is usual in institutional work, definitions and usage vary. An important distinction is between those, such as Thornton, who retain the idea that logics at the field level are nested within higher-order societal institutional logics, and others (the majority) who identify logics within a field without referencing their societal patronage. Despite these differences, as the century turned, exploration of how institutional logics shape organizational behaviours and how those logics are historically dependent became a vibrant research theme. As Thornton and Ocasio (Chapter 3 this volume) point out, a clear implication of the logic construct is that there will be variation across sectors, fields and historical periods, contrary to the later ideas of Meyer (e.g. see Drori, Chapter 18 this volume).

TAKING STOCK

Tracing the historical developments of institutional theory from 1977 to the present, we have sought to reflect on the most prominent themes and constructs that continue to define the distinctive substance of the theory's contribution. To that end, we analyzed three time periods. The foundations period, from 1977 to 1983, laid the substratum of important constructs – institution, institutional context, institutionalization, and isomorphism – upon which the initial articulations of the theory were built. Where construct definition was lacking in the literature during this period, we have offered our own. Five basic elements of institutional theory during this period were summarized, together with our interpretation of the overall questions and potential answers which institutional theory examined and, importantly, continues to examine, thereby giving coherence and continuity to a perspective which has otherwise proliferated in multiple directions across diverse empirical settings and topics.

The second time period, 1983 to 1991, revealed the development of four areas of study – processual, cross-category, cross-national, and means of transmission – encompassing, respectively, diffusion, comparisons between State or nonprofit agencies and commercial organizations, national culture, and the role of networks, consultants and executives in transmitting or communicating institutional values and beliefs. During this period, researchers also initiated combinations or juxtapositions of institutional theory with other perspectives (resource dependence theory, population ecology, for example). Ambiguities emerged around the meaning of isomorphism (occasionally misapplied as inevitable homogeneity) and institutional context (as cultural prescriptions versus regulatory policies, the latter being defensible as an institutional construct only insofar as they reflect societal norms and values). Nonetheless, this period, we suggest, also spawned material insights into how organizations, as active agents and

political actors, operate upon their environments for either instrumental or social gain.

In the third period (1991 to the present), we have argued that the most conspicuous theoretical developments surrounded institutional isomorphism (as a more complex phenomenon inclusive of network-, intra-organizational-, identity- and translation-based responses to institutional pressures); legitimacy as agency (together with clarification of the construct by Suchman, 1995); institutional entrepreneurship and change (embracing the characterization of organizations and their fields as conflicting, contested, or legally constituted terrain); and institutional logics. Furthermore, empirical work had broadened to include a wider range of industries and practices (although hospitals were a favoured site!). By the end of the period, much of the theoretical story had been confirmed by the detailing of previously inferred steps (e.g. by showing how ideas move between organizations and which organizations serve as models). The complexity of institutional effects had been recognized (e.g. that not all organizations succumb easily to institutional processes, that the dynamics and pacing of diffusion can vary by type of innovation, that the dynamics of adoption are different to those of abandonment, and that the intensity of institutional processes varies over time). Insights into institutional change had been much advanced, although emphasis primarily remained on exogenous explanations. These were all important elaborations. Moreover, attention had begun to turn towards highly significant issues: the emergence (and disappearance) of organizational forms; the creation of markets; the adoption and abandonment of market strategies; the interaction of organizational behaviour and financial markets; the adoption of affirmative action in organizations and the determinants of workplace violence; the institutional antecedents of environmental management and sustainability. These are important issues within organization theory. Aldrich (1999: 53), for one, concluded that: 'Despite

pressures from applied fields to focus on narrow issues such as efficiency and intra-organizational problems, institutional theory has succeeded in expanding organizational studies' scope and vision'. Clearly, there has been no withering of institutional effort.

As the literature of the 1990s and the present decade gave expression to a startling outgrowth of the theory's explanatory possibilities, the introduction of Scott's (1995: 2001) three pillars and his accompanying magisterial review of the field brought an impressive (and influential) integrative focus to the most generative period of institutional theory's development. Nevertheless, the broadening scope of institutional applications heightens the risk of theoretical incoherence. However, before drawing our own conclusions about the current status of institutional theory, let us first suggest directions (the withering) for future research and then reflect in the Conclusions on our level of optimism around the question initially posed about the extent of coherence versus proliferation in the theory's future.

New directions?

We suggest eight directions for future research. These reflect both our concerns about the state of institutional theory and our reading of the recent growth in interest of particular research areas.

First, although some progress has been made, studies still struggle to relate institutional processes to learning and to clearly separate institutional effects from vicarious learning (competitive isomorphism). By and large, diffusion studies have continued to assume that convergent behaviour indicates the functioning of institutional processes (see Haveman & David, Chapter 24 and Zilber, Chapter 5 this volume) even though, at the beginning of the 1990s, Haunschild had pointedly remarked that: '[w]e know that acquisitions are imitated, but we don't know why' (1993: 588). Later in the decade, Mizruchi and Fein (1999: 664) made the

same point, accusing researchers of 'measuring only the outcome while assuming the process'. Mizruchi and Fein (1999) also noted that most researchers report their findings as evidence of mimetic effects but use empirical measures that could just as easily be interpreted as reflecting normative and/or coercive processes. These criticisms, unfortunately, still apply (cf. R. Meyer, Chapter 21 this volume). Nevertheless, mimetic behaviour is assumed (wrongly) within organizational theory as indicative of institutional processes and as empirically confirmed. Haunschild's (1993) study, for example, is extensively cited as evidence of institutional mimesis but only a minority of those doing so have acknowledged Haunschild's own cautious interpretation of her results.

For this reason, future research might benefit from more nuanced explanations of the processes behind, and reasons for, mimetic behaviour. Research should attempt to interpret and identify the institutional logics (Thornton, 2002; Thornton & Ocasio, Chapter 3 this volume) or structures of shared values and beliefs that induce and propel imitation (cf. Czarniawska, Chapter 32 and Sahlin & Wedlin, Chapter 8 this volume). Another approach might be to contrast the literature on bandwagon effects (Abrahamson, 1996; Henderson & Cool, 2003) with current knowledge of mimetic isomorphism to illuminate with more subtlety and accuracy the distinction between technically rational and legitimating motivations of organizational imitation. In the interests of broadening attention beyond mimetic processes, further elaboration of coercive and normative mechanisms also appears warranted (Kock, 2005; Haunschild & Chandler, Chapter 26 this volume). For example, recent theory development applying an institutional perspective to government and policy making has begun to illuminate government efforts to overturn or reinterpret bargains with foreign investors (Henisz & Zelner, 2005). The institutional literature's rather selective emphasis on imitative or vicarious learning also invites a broader

application of the theory to other forms of organizational learning, and it may be particularly relevant to the current emphasis in the organizational learning literature on learning through exploitation (replication or refinement of existing routines) versus exploration (concerted variation and experimentation) (March, 1991; Gupta, Smith & Shalley, 2006). Just as the replication of existing routines may be partially explicable by institutionalized, legitimized or taken-for-granted understandings, so too may learning through exploration occur along entirely new trajectories through the intervention of institutional entrepreneurs (Maguire, Hardy, & Lawrence, 2004; Greenwood & Suddaby, 2006). These theoretical conjectures, however, await empirical validation.

Second, many studies have been parsimonious in their account of institutional processes. Meyer and Rowan's (1977) emphasis upon taken-for-granted cultural models has become somewhat reduced in some accounts to mapping the diffusion of highly specific managerial practices, or, in later studies, to organizational foundings. Many of the earlier diffusion studies, in particular, tended to tell a less expansive story, deploying large-scale analysis to rigorously examine very narrowly drawn hypotheses. Stinchcombe (1997) was particularly critical of the tendency to 'mathematize' institutional effects, accusing its proponents of missing 'the guts' of institutional influences.

Not all diffusion researchers have restricted their attention to specific managerial practices. D'Aunno, Sutton and Price (1991), for example (see also Schneider, 1993), compared the adoption and the consequences of competing mental-health care models. These models have broad implications, including the choice of organizational form, the scope of professional status, and the kinds of technologies to be deployed. As such, this study is very different in its scope than most diffusion studies. It is also noteworthy that 'recent theoretical developments have moved from a "diffusion" to a "translation" model for understanding institutional

processes' (Zilber, 2006: 281). Translation, as previously noted, refers to the transformation of ideational and material objects within and during the process of adoption, diffusion, and/or institutionalization (Czarniawska & Joerges, 1996; Czarniawska & Sevón, 2005; Zilber, 2006). Its emphasis on the symbolic aspects of institutionalization (Sahlin-Andersson, 1996), the complexities surrounding the construction of rational myths, and the travel of ideas across organizational fields (Rao, 2004; Djelic & Sahlin-Andersson, 2006; Thornton & Ocasio, Chapter 3 this volume), offers the promise of more rich and detailed insights into how institutional practices and processes migrate and diffuse across fields and over time.

Another timely extension to future research on diffusion might draw inspiration from Sanders and Tuschke's (2007: 33) study of diffusion across distinct fields, particularly in cases where practices spread 'from one institutional environment, where it is widely prevalent and taken-for-granted, to another environment, where its introduction violates all three of Scott's pillars of legitimacy'. The possibility of viral institutional diffusion that jumps from one institutional field to another, where its spread is unexpected, offers a more rigorous test of the power and limits of institutional diffusion and the coercive, normative and cognitive forces underlying diffusion trajectories that are sufficiently powerful to infiltrate unexpected terrain. As Sanders and Tuschke (2007) observe, we may also generate new understanding about how organizations learn from multiple or differing institutional contexts. Leicht and Fennel (Chapter 17 this volume) examine an instance of 'viral diffusion' in their analysis of the diffusion of managerial logics and practices from the corporate sector to the professions.

Third, for the most part, institutional work has remained stubbornly silent on issues of social power, although, as we noted above, incorporation of social movement theory holds considerable promise (e.g. Rao & Kenney, Chapter 13 this volume). There have also

been some attempts to examine issues of stratification and entrenched patterns of discrimination (e.g. Lucas, 2003), social position (e.g. Battilana, 2006) and the relationship between institutionalized beliefs and patterns of intraorganizational privilege (e.g. Zilber, 2002). Suddaby et al. (2007) analyzed the link between the Big Four accounting firms and non-governmental transnational organizations such as the World Trade Organization, and cautioned against the loss of professional accountability. But these remain rare exceptions. Two examples, both of which refer to the functioning of financial markets, illustrate the relative neglect of elite interests and social power. Hayward and Boeker (1998) documented how security analysts rate their firm's clients' securities more favourably than other analysts rating the same securities. These biases were concealed through symbolic acts (codes of ethics, Chinese walls) that legitimated investment banks as trustworthy and beyond reproach. (This façade of legitimacy surrounding the operations of professional service firms would collapse some years later following the Enron affair). Westphal and Zajac (1998, 2001) analyzed how corporations adopt but fail to implement symbolic practices (such as long-range incentive plans for chief executives) in order to appease shareholders and manipulate share values. On the one hand, this can be seen (as it was by Westphal & Zajac) as an example of decoupling. On the other, it could be seen as willful manipulation of shareholder perceptions in order to affect share prices. Both of these studies, in other words, uncovered the dark side of symbolic or legitimating behaviour – namely, the use of symbols to adversely affect certain societal interests while privileging others – but illustrate how we too often neglect to assess the societal consequences of institutionalized corporate behaviour. Fiss (Chapter 15 this volume) extends this perspective by analyzing corporate governance through an institutional lens, observing how coalitions of actors construct 'moral orders' that determine the power structure of corporations.

An inviting door into the dark side of institutional processes comes from researchers who have applied institutional theory to sustainability and environmental issues (e.g. Jennings & Zandbergen, 1995; Hoffman, 1999; Hoffman & Ventresca, 2002; Bansal & Clelland, 2004; Bansal, 2005; Davis & Anderson, Chapter 14 this volume). To the extent that sustainability researchers see unresolved tensions between instrumental and moral solutions to environmental destruction, institutional theory's refutation of exclusively rational economic motives of organizational behaviour may serve as a useful bridge to less instrumentally reasoned and more socially justified bases for studying societal-level harm. In a suggestive case study of ISO standard adoption, Boiral (2007), for example, examined corporate greening as an institutionalized rational myth and revealed the extent to which the adoption of environmental standards was a ceremonial and potentially hypocritical environmental strategy.

Overall, however, we have limited understanding of how power, conflict and fundamental social interests affect and are affected by institutional processes. There have been clarion calls for giving attention to the systemic structures of power and domination that define institutions and that privilege their ruling elites. Useful frameworks have been advanced (e.g. Lawrence, Winn & Jennings, 2001; Hargrave & Van de Ven, 2006; Cooper, Ezzamel & Willmott, Chapter 28 and Lawrence, Chapter 6 this volume). But empirical work is badly needed. As suggested by Hasse and Krücken (Chapter 22, this volume) and R. Meyer (Chapter 21, this volume) issues of power and conflict could be more thoroughly understood if current conceptual tools of organizational institutionalism were to be combined with the closely related European sociology of knowledge and system theories.

Fourth, most studies have portrayed institutional processes as fully formed (Aldrich, 1999: 52) and underplayed Meyer and Rowan's (1977) emphasis that institutional

contexts are socially constructed. Barley and Tolbert (1997: 93) attempted to redress this imbalance, first by criticizing institutional theory's neglect of how institutional arrangements are 'created, altered, and reproduced', and second by proposing incorporation of Giddens' theory of structuration (for an early attempt to do so, see Phillips, Lawrence & Hardy, 2000). Barley and Tolbert's (1993) central concern, that most researchers had simply assumed the existence of institutions, was largely correct, although there were exceptions. Edelman's work, for example, as described above, clearly addressed institutional creation, albeit at a much more societal level than perhaps intended by Barley and Tolbert (1997). Suchman and Cahill (1996) had traced how interactions between Silicon Valley lawyers and their clients constructed and then reproduced normative models of appropriate behaviour in the venture capital industry. Bacharach, Banberger and Sonnenstuhl (1996) had analyzed the micropolitics of dissonance reduction that enabled transformational change within an organization (see also Johnson, Smith & Codling, 2000). At a more macro-level, Ingram and Inman (1996) had tracked how regulatory 'institution building' arose from collective action. By and large, however, institutional studies had not been overly concerned with how institutions arise.

Following publication of Barley and Tolbert's paper, various developments addressed their concerns. The late 1990s saw early stirrings of interest 'discourse theory' (Phillips & Hardy, 1997; see Phillips & Malhotra, Chapter 29 in this volume), 'narratives' (Czarniawska, 1997 and Chapter 32, this volume), and the role of 'rhetoric' (Zbaracki, 1998; Suddaby & Greenwood, 2005). Related work by Lawrence et al. (2002) examined how 'proto-institutions' (institutions in the making) can evolve from interorganizational collaboration. Powell, White, Koput and Owen-Smith's (2005) award-winning study of network structures in the US biotechnology industry provided a complex account of how the bases of affiliation (who partners

with whom) change as fields mature (see also Owen-Smith & Powell, Chapter 25 this volume). Anand and Watson (2004) demonstrated the role of 'tournament rituals', such as the Grammy Awards, in field *construction*. Greenwood and Suddaby (2006) looked at professional associations as forums within which members of a profession define and theorize its appropriate boundaries. Fligstein (2002) looked at how regulatory institutions and economic activity develop symbiotically and coalesce into stable fields. Garud, Jain and Kumaraswamy (2002) traced the tensions and political dynamics involved in adoption of field-wide common technological standards. Brunsson and Jacobsson (2000) looked at emerging standardization procedures. Wedlin (2006) looked at rankings of business schools and Djelic and Sahlin-Andersson (2006) explained the institutional dynamics of new regulations (cf. Sahlin & Wedlin, Chapter 8 this volume). All of these studies are steps towards understanding processes of *institutional* construction. Powell and Colyvas (Chapter 10, this volume) and Colyvas and Powell (2006) elaborate key questions of this research agenda, including how categories and routines emerge, and illustrate how archival materials may be used to address them.

Separating institutional construction (how institutions and fields emerge) from institutional reproduction, is not easy and more attention has been given to the former than the latter. But an important and imaginative line of research is Zuckerman's exploration of 'categorical imperatives' (Zuckerman, 1999, 2000; Zuckerman & Kim, 2003; see also Rao, Monin & Durand, 2003; Durand, Rao & Monin, 2007). Zuckerman's work has a broader theoretical purpose, but it rightly identified the failure of institutionalists to demonstrate 'that defying classification' (i.e. deviating from socially accepted cognitive frameworks) 'invites penalties' (1999: 1399). A core theme of organizational institutionalism is that deviation from socially defined expectations of appropriate conduct are,

often subtly, projected *onto* social actors who are cajoled into conforming by self-activating mechanisms of disapproval. Zuckerman's work is a rare, early examination of this social process. More work in this area is clearly warranted.

Interestingly, current work on cognition in the strategy literature has remained divorced from Scott's well-recognized (2001) cognitive pillar and from the scope of institutional research on the construction and transmission of organizational practices as shared cognitions and logics (Daniels, Johnson & de Chernatony, 2002). Roberts (Chapter 23, this volume) makes the similar point that 'much less in the way of published work seems to be integrating Scott's (1995) cognitive pillar with economic perspectives on organizations'. Notwithstanding work by Porac and his colleagues (Porac, Thomas, Wilson & Kanfer, 1995), the strategic management literature has confined its work on cognition primarily to cognitive biases and to the information processing limitations and effects of actors' cognitive maps ('mental models') in making strategic decisions (Huff, 1997; Tripsas & Gavetti, 2000). By juxtaposing notions of cognitive maps and schemas with Scott's (2001) characterization of the cognitive pillar in institutional theory, we may learn more about how such cognitive maps become taken-for-granted as appropriate or legitimated mental models in the first place (Hasselbladh & Kalinikos, 2000) and how these models become shared across decision makers confronting similar challenges and environments (cf. also Czarniawska, Chapter 32 this volume).

Fifth, the study of institutional change brought forward several attempts to identify the stages of institutionalization. Tolbert and Zucker (1995) identified three stages, but ignored how arrangements might erode and be displaced. Greenwood et al. (2002) suggested five stages, from deinstitutionalization through to diffusion/translation and subsequent re-institutionalization. But despite early attention from Oliver (1992) and Davis et al. (1994), and Clemens and Cook's (1999)

useful analysis of the conditions conducive to institutional entropy, *deinstitutionalization* has remained largely neglected (see Dacin & Dacin, Chapter 12 this volume). As Scott put it, institutional work has failed to capture the 'arc of institutionalization' (2005: 472), focusing instead upon 'the middle moment' (2005: 471). Ahmadjian and Robinson's (2001: 647) remark that 'deinstitutionalization is not simply institutionalization's converse' raises the call for better understanding of how institutions decline.

As a means of introducing more integration to the literature on institutional change and to push for its fuller theoretical treatment, Hargrave and Van de Ven (2006) developed a typology that identifies four internally consistent and distinct models of institutional change, which they label *institutional design*, *institutional adaptation*, *institutional diffusion*, and *collective action models*. Stated briefly, the *institutional design model* 'focuses on the intentional behaviours of an individual entrepreneur engaged in the creation or revision of an institution to achieve his or her goals'; the *institutional adaptation model* 'explains how and why organizations conform to forces in the institutional environment'; the institutional diffusion model 'focuses on how and why specific institutional arrangements are adopted (selected) and diffused (retained) among institutional actors in a population'; and the *collective action model* 'examines the construction of new institutions through the political behaviors of many actors who play diverse and partisan roles in the organizational field or network that emerges around a social movement or technical innovation' (Hargrave & Van de Ven, 2006: 867–8). These authors call for further theorizing around the collective action model, which they view, correctly, as the most recent of the four models of institutional change, and the one least understood. Overall, their work brings a welcome movement toward integration in the literature on change and provides a set of categories for distinguishing among widely different types and stages of institutional change.

Nevertheless, 'much theorizing remains to be done' (Hargrave & Van de Ven, 2006: 884).

Sixth, there is a growing interest in cross-national studies. Until recently, there was a concern that institutional work was becoming distilled through the lens of US cultural and social dynamics. Such an ethnocentric perspective risked missing interesting and important institutional effects (Biggart & Hamilton, 1990; Orru, Biggart & Hamilton, 1991; Guillen, 2001). Mizruchi and Fein had speculated that the myopic focus of US scholars is a consequence of 'the dominantly held view among leading North American organizational researchers that emphasizes cognitive decision-making processes at the expense of inter-organizational power and coercion' (1999: 677). In short, Mizruchi and Fein feared that North American researchers were reproducing a world-view (rationalized myth?) that provides 'a limited picture of the world' (1999: 680).

The concern about an ethnocentric focus may have been premature. Recent work reveals that a significant number of studies are applying institutional theory to an international context and, in doing so, are opening up the relevance of the theory to new topics, such as foreign entry mode (Yiu & Makino, 2002), foreign investment and the impact of host country governments (Henisz & Zelner, 2005), capital structures in foreign economies (Keister, 2004), the choice of international alliance partner (Hitt, Ahlstrom, Dacin, Levitas & Svobodina, 2004), and firm turnaround (Bruton, Ahlstrom & Wan, 2003). Several theorists gained insight into these and similar practices by combining organizational with comparative institutionalism (e.g. Djelic & Quack, 2003). For us, it is especially interesting to note the growing application of institutional theory to emerging economies (e.g. Peng, 2003; Keister, 2004; Vaaler & McNamara, 2004; Child & Tsai, 2005; Chang, Chung & Mahmood, 2006; Dobrev, Ozdemir & Teo, 2006). Work on the politics of institutional translation across cultures also holds future promise

(e.g. Djelic, 1998; Guler, Guillen & MacPherson, 2002; Sahlin-Andersson & Engwall, 2002; Djelic & Quack, 2003; Djelic & Sahlin-Andersson, 2006; Drori, Chapter 18 this volume). Frenkel's (2005) study of how state-level institutional power structures imported two management models – scientific management and human relations – from different cultures demonstrated how cross-national translation occurs and how these management models changed their social meaning as they moved from one culture to another. Some researchers have examined how 'institutional distance' (Kostova, 1999) between parent MNCs (almost always, US corporations) and foreign countries affect investment and expansion decisions.

Seventh, institutional theory has gained enormously for many years from its combination with, or incorporation of, other theories (see the Interfaces section of this volume for the most current examples of this important work). Somewhat surprisingly, a particularly pronounced growth in the application of institutional theory to mainstream strategy topics has not been accompanied by the explicit juxtaposition of institutional theory and specific strategy theories, apart from a limited and selective combination of institutional theory with the resource-based view (Oliver, 1997), transaction cost theory (Yiu & Makino, 2002), and agency theory (Young, Stedham & Beekun, 2000). Institutional theory has been increasingly applied to topics in strategy as diverse as mergers (Krishnan, Joshi & Krishnan, 2004), firm heterogeneity (Walker, Madsen & Carini, 2002), firm diversification (Peng, Lee & Wang, 2005), the effects of corporate boards on firm performance (Peng, 2004), firm reputation (Rhee & Haunschild, 2006), the legitimacy of strategic alliances (Dacin, Oliver & Roy, 2007), and managers' mental models of competition (Daniels et al., 2002). The literature has witnessed almost no attempts, however, to combine, more comprehensively, a strategy theory with institutional theory.

An exciting direction for future research may be the juxtaposition of institutional theory and the dynamic capabilities framework (Teece, Pisano & Shuen, 1997; Helfat & Peteraf, 2003; Helfat, Finkelstein, Mitchell et al., 2007), arguably one of the more prominent perspectives in current strategy theory. This framework focuses on firms' capabilities to 'integrate, reconfigure, and release resources to match and even create market change' (Eisenhardt & Martin, 2000: 1107). Specifically, dynamic capabilities refer to the capacity for rent appropriation and profit stemming from an organization's 'capability to effectively coordinate and redeploy internal and external competences ... to achieve congruence with the changing business environment' (Teece, Pisano & Shuen, 1997: 515). To our knowledge, no one has addressed institutional theory's implications for this strategic perspective (or vice versa). In examining an organization's existing routines and the factors that facilitate or impede organizational change, the theory of dynamic capabilities shares institutional theory's interest in how organizational practices become entrenched in the cognitive repertoire of organizational routines, and the ways in which the changing environment molds them. Further research, therefore, might extend dynamic capabilities theory to consider the ways in which the adoption and diffusion of norms and values in the institutional environment impede rent appropriation or, alternatively, how institutional legitimacy sustains or even accelerates the flow of resources and information to organizations for developing their capabilities.

Eighth, and finally, institutional theory evolved as an antidote to the overly rationalist and technocratic perspectives of the 1960s. It emphasized the role of cultural forces within an institutional context and homed in on the organizational field as the level at which such cultural pressures are more evident. As a consequence, the overwhelming majority of studies now take for granted that the organizational field or

environment is the level of analysis (see Wooten & Hoffman, Chapter 4 this volume). Other levels of analysis have been rarely considered. For example, few studies treat the organization as the level of analysis (Ocasio, 1994) or examine how the organization might be treated as an institutional context for understanding *intraorganizational* behaviour. An interesting exception was Goodrick and Salancik's (1996) study of how cesarean section surgeries varied by type of hospital and the ambiguity of institutional standards within them. Using hospital-level data, they found that when uncertainty was greatest, hospital characteristics significantly influenced cesarean section rates. Their work showed how technical practices become embedded in institutional frameworks at the organizational level, and how these frameworks come to define the ways in which technical forces operate. We see considerable promise in this change to an *intraorganizational* level of analysis for expanding insights into institutional processes. Recent scholars have made a compelling case for an *intraorganizational* level of analysis by combining an institutional perspective with such micro-theories as prospect theory and the threat-rigidity hypothesis (George, Chattopadhyay, Sitkin & Barden, 2006). Washington, Boal & Davis (Chapter 30, this volume) adopt an explicitly *intraorganizational* perspective as they integrate institutional and leadership theories.

While any number of *intraorganizational* phenomena might be informed by an institutional perspective (see for example, Quaid's 1993 article on job evaluation as an institutional myth), we are particularly intrigued by Weber and Glynn's (2006) call for an exploration of the connections between institutional and sense-making perspectives. Weber and Glynn (2006: 1639) note that a recurrent criticism of Weick's (1995) influential work, specifically its 'neglect of the role of larger social and historical contexts in sense-making', can be partially addressed by showing how the institutional context may be an important part of sense-making

within organizations. Treating the organization as the institutional context for sense-making would also go far, we believe, in adding to institutional theory. In its own neglect of the more micro-dynamics of sense-making, institutional theory has relinquished the opportunity to develop a richer theory of the intersubjective processes of perception, interpretation and interaction that establish the core of a micro-level understanding of institutionalization. Therefore, like DiMaggio and Powell (1991) and Zucker (1987) we continue to see value in amending institutional theory to include more elaborated micro-foundations and we propose that theorists might begin with Weick's (1995) formulation of sense-making in organizations. This focus on sensemaking also accords with recent criticisms of institutional theory that have suggested the need for more emphasis on 'the various ways by which ideas are objectified i.e. developed and embedded into solid and durable social artifacts' within organizations (Hasselbladh & Kallinikos, 2000: 699). A rare example of this theoretical purpose underlies Johnson, Smith and Codling's (2000) conceptualization of privatization as a series of individual actors' attempts to enact and make sense of a change from a 'public' to a 'privatized' institutional template through micro-level processes of script development. In this volume (Chapter 32) Czarniawska calls for an elaborate understanding of how ideas are objectified, but also of how they form in relation to new technologies.

Unlike the call for better understanding of *intra*organizational processes, a second challenge to the dominance of field-level analysis emphasizes how the abstractness of the field concept may have inadvertently disembedded institutional analysis. The field concept originally developed (see Wooten & Hoffman, Chapter 4 this volume) because of dissatisfaction with the term 'industry', which neglects the role of agencies such as professional and trade associations, regulators, the media and the State. However, organizations are not only set within a field,

they are also located within communities. Only recently has institutional work begun to acknowledge that communities may influence the particular expression of rationalized myths and institutional logics to which organizations have to respond. Marquis (2003), Marquis et al. (2007), Magan Diaz, Greenwood, Li and Lorente (2007), and Marquis and Lounsbury (2007), have each recognized that local or regional communities are part of the institutional context. Marquis (2003), for example, traced the elite social organizations and cultural associations that connect organizations within a bounded geographical setting. Magan et al. (2007) suggested that connections between organizations and local political elites influence decisions on the utilization of human resources.

These studies imply that the concept of organizational field may have been considered unduly narrowly, and the roots of the field concept may prove helpful in order to make it into a more elaborate conceptual tool (Martin, 2003; Mohr, 2005; Djelic & Sahlin-Andersson, 2006). Although it has proved, and will continue to be, a useful level of analysis, it may have become too abstract and thus divorced from the socio-political community within which institutional and organizational processes occur. As Magan et al. put it: 'Analytical abstraction, intended to better capture contextual influences, has resulted in blindness to how communities affect organizations. The relationship between communities and organizations was, of course, integral to early institutional work (Selznick, 1949) but that focus has largely disappeared. A return to the traditional emphasis upon community would be timely'. We agree.

CONCLUSIONS

If institutional theory is decidedly *not* withering over time in its *use* and *migration* within and across the discipline of organization

theory (as the sheer number of recent journal articles bears witness), we still need to ask whether its power to explain organizational phenomena is withering in light of its rather splintered proliferation. Our answer is a somewhat emphatic no, not only because we see thematic cohesion around its basic theoretical question and ‘answer’, but because we continue to find its questions infinitely interesting, its capacity to contextualize organizational phenomena beneficial, and its tolerance for theoretical and methodological pluralism advantageous to knowledge sharing within organization analysis. We began this Introduction by identifying the central *question* of institutional theory that we felt gave value to its perspective as originally developed by early institutional theorists: *why and with what consequences do organizations exhibit particular organizational arrangements that defy traditional rational explanation?* We see the perpetuation of this central question to the present day as the intellectual stimulus that gives coherence to a theory that in other respects has expanded its applications to an impressively wide array of topics. Similarly, we identify the ‘*answer*’ emphasized by institutional theory as laying claim to unique insights into the play of widely shared or taken-for-granted social values and ideas that complement, if not defy, calculative rationality and instrumental functionality. Perhaps the most notable shift in emphasis and interpretation over the past three decades has been from treating the context of social values and ideas as influences *upon* organizations, towards recognition of the interplay of organizations with their contexts. It is our position that the endurance of institutional theory’s fundamental question and answer is a testament to the resilience and robustness of the perspective. In answering the query stated at the outset of the Introduction, we reject the notion that theories invariably fragment into proliferated confusion. The coherence and endurance of institutional theory’s core question and answer run through most institutional work, bringing a surprising semblance of order to a literature that exhibits rich variety.

Our eight foregoing directions for future research reveal our own position on the theory’s strengths, limitations, and opportunities. We see that there is still much for institutional theory to address. More broadly, we have three reasons to feel that the overarching strengths and contributions of institutional theory far outweigh our few lingering but by no means irrevocable misgivings about the theory.

First, a review of institutional theory from its early foundations to its current applications reveals an impressive tradition of interfacing with numerous other theories (e.g. network theory, resource dependence theory, ecology theory) to explain a correspondingly broad range of organizational phenomena (e.g. organizational structure, change, identity, alliances, foreign entry). The use of institutionalism with so many other theories and topics rather than in relative isolation is, we believe, a conspicuous and significant strength. For as Nobel prizewinner Erwin Schrodinger (1951: 6) observed: ‘... [i]t seems plain and self-evident, yet it needs to be said: the isolated knowledge obtained by a group of specialists in a narrow field has in itself no value whatsoever but only in its synthesis with all the rest of knowledge’.

Institutionalism’s proliferation, however, comes at the expense of linguistic specificity. Even the term ‘institutional’ defies precise definition, leaving it open to alternative conceptual constructions that are adapted to the topic at hand. It is for this reason, among others, that we encourage a greater focus on developing a more common vocabulary in future developments of the theory. Thus, while we are delighted by the theory’s range of application, we continue to hope for further consensus around construct definition.

We also believe that the underspecification of institutional theory’s constructs is not altogether an incontestable impediment to theory building and research. We share Barbara Czarniawska’s view (Chapter 32, this volume) that ‘the strength of institutional theory lies in the tolerance of its propagandists.’²¹ We view the present scope of contributors to institutional theory’s growth as an indication of an

epistemological pluralism that tends to discourage polarizing styles of arguments or thematic quests for a monopoly on truth. It is not that all elements of institutional theory are inevitably reconcilable with all approaches or perspectives; indeed, this is far from the truth (see Cooper et al., Chapter 28 this volume). Rather, the stunning variety of topics and methodologies drawing on institutional theory that we now witness in the literature is itself evidence, in our opinion, of the inventiveness and flexibility of the many who apply it. In the interests of guarding this pluralism, we tend, therefore, to favour the broader construct definition of 'institutions' put forward by Scott (1995: 33):

Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – culture, structures, and routines – and they operate at multiple levels of jurisdiction.

Such a definition increases specificity but encourages continued application of institutional theory to multiple levels, topics, and settings.

Second, a distinct advantage of institutional theory, we would argue, is its singular refusal to accept reality at face value, and to do so without the accompanying baggage of cynicism. Institutional theory throws open the possibility that any cherished aspect of organizational life may be nothing more than a theoretical artifact, but the theory's implicit agenda is not to heap *ex ante* scorn on the causes of misguided or overly-rationalized behaviour. Agnostic about the reasons for the taken-for-granted understanding or social consensus surrounding institutionalized structures and behaviours, institutional researchers have been free to roam in the theoretical territory of political domination, unconscious reasoning, or social acceptability to stake out their claim for theoretical superiority in explaining institutionalization. Thus, institutional researchers have been able to trace the source of institutionalization and persistence to factors as varied as interorganizational collaboration, shared norms,

discourse, power elites, history and the 'iron cage' of conformity pressures. Therefore, while not asserting that institutional theorists are ideologically agnostic, either individually or in the aggregate, we nonetheless do not see the institutional theorists that populate our journals and bookshelves as pre-oriented toward contempt for the persistence of phenomena or the status quo, even when such persistence is unjust or dysfunctional. Our disdain (we hope) is for the injustices of practices and not for the stability of a practice *per se*.

It is our hope as well that indicators of institutionalization be sufficiently neutral to avoid foreclosing on avenues of research into different manifestations of institutionalization. Rather than insistence on a single measure of institutionalization as that which is strictly socially embedded, taken-for-granted, or, alternatively, rooted in power, we favour Selznick's (1996) notion of institutionalization as a comparatively neutral concept, receptive to whatever arguments best explain it, depending on the context in which it occurs. Building on his early characterization of institutionalization as indicative of that which is infused with value beyond the technical requirements at hand, Selznick (1996: 271) suggests that we judge the degree to which a phenomenon is institutionalized as the extent to which it is expendable: '[t]he test is expendability, that is, the readiness with which the organization or practice is given up or changed in response to new circumstances or demands'. This position is consistent with Scott's (2001: 213) exhortation that 'we try to avoid and, to the extent possible, eliminate theoretical arguments based on exclusivist (often, dichotomous) thinking', (e.g. if the cause of persistence is social then it cannot be political, or vice versa).

Third, institutional theory has an important capacity to stimulate contextualization. Just as we cannot make feasible improvements in knowledge of market economies by wishing away their social context (see Roberts, Chapter 23 this volume), so it is the case that

we cannot understand such knowledge without recognizing that it is socially constructed within a broader context. Institutional theory has aided us in contextualizing the phenomena we study, whether that context encompasses regulatory, historical, political, cognitively tacit, or socially embedded settings. Indeed, such contextualization is a distinguishing (and distinguished) feature of institutional theory and research.

Notwithstanding its capacity to stimulate the contextualization of many phenomena, institutional theory is simultaneously under threat of serving the role of 'default option' in the development of organization theory. We see limited but somewhat alarming use of institutional theory by other theorists who engage institutional theory as a convenient but under-theorized catch-all for what their own theories cannot readily explain. The distinctive aspect of institutional-theory-as-default research is not necessarily its inaccuracy, but, rather, the meagreness with which institutional theory is applied; that is, the lack of depth or richness in its use and the rather perilous distance from institutional theory's core concepts, assumptions, and arguments. Our intent is not to discourage interfacing between theories, but to urge a more comprehensive application of institutional explanations to the topics they inform.

To that end, all the chapters in this book are outstanding models for future engagement with the theory. The chapters are grouped into five distinct sections: Section I reviews the *Foundational Themes*, recounting the initial ideas that excited attention and showing how those ideas have been tested and enhanced. Section II, *Institutional Dynamics*, contains a series of insightful reviews of current scholarships and agendas for future work. Section III, *Applications*, illustrates the extensive range of significant issues and contemporary problems to which institutional theory can be applied. Section IV, *Interfaces*, explores points of intersection with other theories, illustrating how the relevance and potential of organizational institutionalism continues to be sharpened

and extended. The last section, *Reflections*, presents essays from leading intellectuals, who reflect on the past and future of organizational institutionalism, offering sometimes provocative but always engaging insights and observations. An important feature of the five sections as a whole is that the contributors are distinctly international and include not only many of the leading contributors to institutional thinking of the past three decades, but exciting new voices.

Overall, on the w(h)ithering of institutional theory we remain fervent optimists, and the quality and richness of this volume's contributions bear strong witness to this point of view. Institutional theory is withering neither in its scope nor its relevance, and we see no obstacles to a lively and productive growth in the theory's future. Perhaps Dick Scott is correct in predicting that 'the major contributions of institutional theory to organizational studies may still lie ahead' (2005: 473). If there is a danger, perhaps it lies in the suppleness of the theory's fit to so many topics, and the corresponding temptation to assume that it explains everything:

None of us can go a little way with a theory. When it once possesses us, we are no longer our own masters. It makes us speak its words, and do violence to our nature. (Newman, 1907: 222)

Let us not, therefore, become blind adherents. Institutional theory's seeming inclusiveness may lure us into believing we possess a relatively comprehensive tool for explaining the social character of organizations and environments, that is, at best, incomplete and, at worst, distinctly myopic. The size (and enthusiasm) of institutional theory's following is arguably the most insidious threat to its capacity to reflect creatively and critically on its limitations and thus to keep developing constructively as a theory of organizations. Moreover, an institutional perspective starts from a good question that remains only partially answerable within the limits of its own assumptions (see Kraatz &

Zajac, 1996; Bowring, 2000). We remain, nonetheless, optimistic about its future because it has been relatively robust across different epistemological styles and differing disciplinary expertise, finding commensurable justification for both political and social rationales, and for both reflexive and more reductionist explanations of organizational action. If institutional theory becomes too institutionalized, however, its own legitimacy may exert an isomorphic or homogenizing effect on the richness and breadth of explanations it currently contributes to our understanding of organizational processes and phenomena. And that, should it happen, *would* be a signal of a withering theory.

NOTES

1 As we note below, Mohr (2005) showed that institutionalist theories have evolved essentially in two directions. The dominant trend has directly followed DiMaggio and Powell (1983) and privileged studies and explanations of networks and interactions. The other trend, centring around John Meyer's work, has privileged studies and explanations of meaning. Mohr finds this division unfortunate and sees great potentials in bringing the two aspects of field back together (Djelic & Sahlin-Andersson, 2006 argue in the same direction).

2 Emphasis upon social values and cognitive systems differentiates 'organizational institutionalism' (not a term used by Meyer & Rowan) from other versions of institutionalism. *Historical institutionalism*, for example, betraying its origins in comparative political science, focuses upon structures (institutions) of the state (e.g. state agencies, corporate economic actors such as unions and trade associations) and traces how those structures enable and shape the access of organized interests in decision-making processes. *Rational choice institutionalism*, similarly, also treats (self-) interest as the key driver of behaviour within a context of incentives and opportunities. The sociocultural approach to organizational institutionalism, in contrast, does not see motivation as exclusively (or even primarily) interest-driven and in doing so provides 'an important corrective' to other organizational perspectives (DiMaggio, 1988).

3 A related but more micro approach to the institutional context emerged from the research programme of Jim March, also at Stanford. March coined

the phrase 'logic of appropriateness'. March emphasized that many decisions are not based on the calculation of future consequences but are the outcome of decision 'rules' or routines. March was developing a view of organizations as institutionally embedded and, even though his ideas were anchored in decision-making studies of bounded rationality (e.g. March & Simon, 1958; Cyert & March, 1963), decision-making ambiguity (e.g. March & Olsen, 1976) and, more broadly, political science (e.g. March & Olsen, 1989), these ideas did not develop in isolation from other contributions to institutional theory. Sahlin and Wedlin (Chapter 8 this volume) review the influence of this line of research, especially on Scandinavian institutionalism. It is notable that three of the primary theorists of institutional theory – John Meyer, Dick Scott and Jim March – were based at Stanford.

4 Scott (1983: 161) explicitly qualified any tendency towards homogeneity: 'While there may be some convergence in the general overall pattern exhibited by organizations, we are more impressed by the variety of forms and practices encountered. We see organizational environments as becoming more highly organized but not necessarily in the same manner; and the cultural beliefs governing organizational practice, while similar in promoting rationalization, still vary in their particular specifications for differing types of organizations'.

5 Before progressing, we wish to make the following comment. Meyer and Rowan (1977) and Zucker (1977) were clearly influenced by Berger and Luckman (1967). Berger and Luckman proposed that social stability occurs in three stages: actors interact and, over time, their interactions become 'habitualized'. Conforming to habitualized patterns makes social interactions predictable and thus orderly. Subsequently, habitualized actions become 'reciprocal typifications of action', i.e. the habits are reciprocally reflected upon and conceptualized as roles (i.e. they become 'objectified'). Once reciprocal typifications are passed on to third parties, especially new generations, then reciprocal typifications become regarded as 'real' and natural, i.e. they acquire 'exteriority' (Berger & Luckman, 1967: 58) or, in Tolbert and Zucker's terms, they become 'sedimented' and taken-for-granted. A recurrent criticism of institutional theory is that much research focuses upon the objectification stage (Tolbert & Zucker refer to it as 'semi-institutionalization') rather than the sedimentation (full-institutionalization) stage. In this volume, Renate Meyer argues that the legacy from Berger and Luckman has largely become less visible in later developments of organizational institutionalism, and she shows that many of the recent questions posed by theoreticians in the field could find much inspiration and clarification from Berger and Luckman's work.

6 For example, Alan Meyer (1982), in discussing how hospitals responded to a doctors' strike referred to Meyer and Rowan as follows: 'Hospitals inhabit highly institutionalized environments that may foster the construction of superficial structural facades. Meyer and Rowan (1977) argue that ceremonial structures harmonizing with societal ideologies attract resources and promote the survival of such organizations. But this study suggests that ceremonial structures may also promote survival and resource conservation by harmonizing with organizational ideologies'.

7 Most empirical work came from Stanford University (in addition to Meyer & Scott, there was a stream of papers from Jeffrey Pfeffer, Kathy Eisenhardt and Jim Baron).

8 The idea of translation involved the movement of ideas across organizations. An interesting parallel is Barley's (1986) interest in the 'slippage' within organizations as individuals draw upon institutionalized norms to enact their roles.

9 These early studies applied a long historical perspective on institutionalization. They were designed around – and reinforced the notion – that institutionalization involves long historical and inert processes. Even though calls for more historical studies are often heard, many of the later diffusion studies applied a much shorter time span. This deficiency means, among other things, that the long term consequences (e.g. are they *retained*) of adopting new organizational elements have been largely neglected.

10 But not always. Oliver (1988) for example, deliberately *contrasted* institutional theory with population ecology and strategic choice theory, in order to assess its validity (it failed the test!)

11 An excellent statement on this issue is Biggart & Delbridge (2004).

12 Abrahamson (1991: see also, Abrahamson & Rosenkopf, 1993) distinguished institutional from competitive 'bandwagon' pressures and showed how the latter also produces the two-stage diffusion model from which institutionalists erroneously infer institutional processes. Early and late adopters in the diffusion curve can be motivated by managerial perceptions of the competitive risks of non-adoption.

13 Broadly speaking, Neilson and Rao were correct. But a small number of studies did contribute to better understanding of the reciprocal interaction between organization and context, both at the level of the strategic group (e.g. Porac et al., 1989), and at the level of the organization (e.g. Barley, 1986).

14 Even the term institutionalized, however, had subtle variations of usage. As noted here, for most people it meant that something is taken for granted: i.e. objectified as the natural order of things (Tolbert & Zucker, 1995). But, in some instances, institutionalized meant that a formal organization or rule had

been created (e.g. Bacharach et al., 1996; Djelic & Quack, Chapter 11, this volume). This latter usage clearly connects more closely to the definition of 'institution' as regulation.

15 An interesting application of identity theory would be to connect institutional theory with concepts of 'celebrity firms'. Rindova, Pollock and Hayward (2006) propose that celebrity firms (firms that attract a high level of public attention and positive emotional appeal *from being different*) are socially constructed primarily by the media, and that, once having achieved celebrity status, a firm behaves so as to retain that status. From our point of view, the conferring of celebrity upon non-conforming firms may serve to legitimate deviance and thus contribute to the prospect of institutional entrepreneurship and change.

16 More recent studies have extended the translation theme to the movements of ideas across national institutions (e.g. Djelic, 1998; Sahlin-Andersson & Engwall, 2002).

17 See J. Meyer (Chapter 34, this volume), for a critical discussion of this development. Meyer (1996) used the term 'soft' actor to emphasize actors as culturally constrained and dependent.

18 Earlier, we commented upon Bourdieu's influence on the early institutional theorists. Very soon direct references to his work largely ceased, at least in North American studies. Later, however, some of the main assumptions and results from Bourdieu's work on fields reappeared (e.g. Wedlin, 2006). One such finding is that changes in fields develop as so called pretenders – trying to enter and exact influence over the field – challenge dominating incumbents. Dominating actors seek to defend the status quo and protect their own central role in the field. This framework directs the theorist's attention to the periphery of organizational fields as the likely source of change (cf. Bourdieu, 1977, 1984).

19 Because of its focus on translation, European research was more inclined to view change as the consequence of endogenous *and* exogenous forces.

20 A very influential work underpinning much of this work is Power (1997).

21 This observation was reinforced by a heavily attended 2006 conference on institutional theory hosted by the University of Alberta, which brought together quant jocks, interpretivists, critical theorists, organizational theorists, strategy theorists, discourse analysts, ecologists, and micro-organizational behaviour theorists, applying institutional theory to everything from identity to political mobilization. The most striking aspect of this conference was the relative ease and pronounced tolerance with which participants were able to converse across widely differing ontological assumptions, interests, and methodologies.

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