

HOW ARE ORGANIZATIONS SHAPED BY BROADER SOCIAL-POLITICAL-CULTURAL PROCESSES?: INSTITUTIONAL PERSPECTIVES

Institutions and Institutional Elements

Whereas ecological theorists recognized the role of general social processes stemming from competition for scarce economic resources as factors affecting the fate of organizations and larger classes of organizations, institutional theorists broadened the framework to comprehend the role of regulative, normative, and cultural forces working to constrain and constitute organizations, organizational populations, and organizational fields.

Institutional concerns have a long and illustrious history in the social sciences but did not become a central focus in the study of organizations until the 1970s. (For a review, see Scott, 2001a) Early work by political scientists such as Burgess (1902), by economists such as Commons (1924), and by sociologists such as Cooley (1956 ed.) and Weber (1968 trans.) recognized the extent to which organizations were shaped by political and legal frameworks, the rules governing market behavior, and general belief systems (recall Weber's typology of authority). Close examination of this work, however, reveals that while there is substantial overlap in themes and interests, these and subsequent theorists singled out somewhat different aspects of institutions as the focus of attention. Three somewhat distinctive approaches can be identified, summarized and, we believe, encompassed, within the following omnibus definition:

Institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life. (Scott, 2001a: 48)

In any fully developed institutional system, all three of these forces or elements are present and interact to promote and sustain orderly behavior. Nevertheless, over the years and up the present, theorists vary in the extent to which they focus analytic attention on one or another of these elements. Generally speaking, economists and political scientists stress regulatory factors, sociologists, normative factors, and anthropologists and organizational theorists, cultural-cognitive factors. Not only the focus, but also the arguments and assumptions made by each camp tend to vary systematically and substantially, as suggested by [Table 10-1](#).

Institutions as Regulative Systems. Analysts emphasizing the *regulative* features of institutions view institutions as systems of rules or as governance systems. For example, the economic historian, Douglass North, argues that

TABLE 10-1 Three Conceptions of Institutions

	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<i>Basis of compliance</i>	Experience	Social obligation	Taken-for-grantedness Shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws	Certification Accreditation	Common beliefs Shared logics of action

	Sanctions		
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Source: Scott (2001a: Table 3-1, p. 52).

[Institutions] are perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules ... The rules and informal codes are sometimes violated and punishments are enacted. Therefore, an essential part of the functioning of institutions is the costliness of ascertaining violations and the severity of punishment. (North, 1990: 4)

North observes that the major source of regulatory rules and enforcement mechanisms in modern society is the nation-state, although a variety of formal and informal regulatory structures exist at the field level—for example, trade associations and widely shared understandings regarding the limits of acceptable competitive practices. In the regulatory view of institutions, it is assumed that the major mechanism by which compliance is effected is coercion. Individuals and groups comply to rules and codes out of expediency—to garner rewards or to avoid sanctions. Behavior is viewed as legitimate to the extent that it conforms to existing rules and laws.

For economic historians, such as North, institutions operate at the level of the wider environment: whether in the relatively uncodified and informal assumptions and understandings underlying some economic markets or through the more direct intervention of governmental regulatory structures. But for a newer generation of institutional economists, including Williamson and others, these wider institutions are viewed as “background conditions” whereas in the foreground are the more specific institutional forms that serve as “governance structures” to manage economic transactions, in particular, organizations (hierarchies) (Williamson, 1994). As described in [Chapter 9](#), transaction cost analysis defines its primary task as explaining why it is that different (“discrete”) organizational forms arise to govern various types of economic activity (Williamson, 1991). Because they take a more dyadic approach, these economic institutional arguments were reviewed in the previous chapter.

Institutions as Normative Systems. Most sociologists, from Cooley and Weber to Selznick and Parsons, have viewed institutions primarily as *normative* structures, providing a moral framework for the conduct of social life. Unlike externally enforced rules and laws, norms are internalized by participants; behavior is guided by a sense of what is appropriate, by one’s social obligations to others, by a commitment to common values. One of the reasons for the difference in emphasis is that economics and political scientists focus their attention on societal systems—markets and political arenas—in which rational self-interest is viewed as appropriate. Under such conditions, order is achieved by the erection and enforcement of rules. By contrast, sociologists and anthropologists tend to focus on social spheres, such as family and kinship structures and educational and religious systems, in which participants are more likely to embrace other-regarding behaviors, so that much order is built into norms emphasizing mutual obligations.

While most sociologists have emphasized the more widely shared norms and values that give rise to stable social arrangements such as families and communities, sociologists like Selznick, as we have seen (see [Chapter 3](#)), emphasized the beliefs and commitments operating at the level of particular organizations which

give them a distinctive culture (“character”). This latter approach is also reflected in the work of contemporary students of corporate culture. (See, for example, Martin, 2002; Schein, 1992; Trice and Beyer, 1993).

For social scientists emphasizing the normative pillar of institutions, structures and behaviors are legitimate to the extent that they are consistent with widely shared norms defining appropriate behavior.

Institutions as Cultural-cognitive Systems. The most recent version of institutions—the view associated with “the new institutionalism in organizational analysis” (Powell and DiMaggio, 1991)—emphasizes the role of *cultural-cognitive* processes in social life. We employ the hyphenated concept to emphasize that we are not referring just to individual mental constructs, but also to common symbolic systems and shared meanings. Shared cultural beliefs are external to any given individual but also operate within each providing “the software of the mind” (Hofstede, 1991). Phenomenologists, such as Berger and Luckmann (1967), argue that social life is only possible because and to the extent that individuals in interaction create common cognitive frameworks and understandings that support collective action. The process by which actions are repeated and given similar meaning by self and others is defined as *institutionalization*. It is the process by which social reality is constructed. The distinguished anthropologist Clifford Geertz has developed a very similar conception in his reformulation of culture as “the symbolic dimensions of social action.” Geertz amplifies: “The concept of culture I espouse ... is essentially a semiotic one. Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs” (1973: 5).

It is not necessary to insist that all reality is socially constructed. There exists what Searle (1995) defines as “brute” facts: the world of physical objects and forces obeying natural laws. But there also exists a wide variety of “social facts” that are facts only by virtue of human agreement—language systems, legal institutions, monetary systems, national boundaries, to name only a few. Such constructions are “facts” in that, while dependent on human agreement, they exist independently of your or my attitudes or preferences toward them.

Any fully developed mature institutional framework will include combinations of the three classes of elements: regulative, normative, and cultural-cognitive. The distinctions are analytic and point to different ingredients and processes at work in complex structures. They also are somewhat nested. Cultural-cognitive elements exist at deeper levels. It is not possible to have rules or norms in the absence of categories and distinctions. Cultural-cognitive elements are also the most intransigent, including unconscious beliefs and taken-for-granted assumptions. Regulative elements, which have received the lion’s share of attention from institutional scholars, are, by contrast, more visible, more readily designed and altered, but also more superficial than normative and cultural-cognitive elements (Evans, 2004; Roland, 2004).⁴

Institutions and Organizations

These ideas concerning the construction of social reality were first introduced into organizational analysis at the micro or social psychological level by researchers working in the symbolic interactionist and ethnomethodological traditions. Their studies examine the ways in which participants interact to develop shared understandings of their situation—collectively constructing their social reality. Analysts like Bittner (1967), Cicourel (1968), Zimmerman (1970), and Van Mannan (1973) have examined the ways in which organizational participants, such as policemen and welfare workers, forge common meanings through interaction to make sense of their work situations. At the opposite extreme, we have the work of Meyer and

colleagues (Drori, Meyer, and Hwang, 2006; Meyer, 1994; Meyer, Boli, and Thomas, 1987; Meyer et al., 1997) and a number of European scholars (Brunsson and Jacobsson, 2000; Djelic and Quack, 2003) who emphasize the role of trans-societal and world-system nongovernmental professional associations and organizations that are working to expand the applicability of rational standards to an increasing variety of societal sectors and arenas—from environmental protections to women’s rights. The diffusion and adoption of these views and standards importantly shape both the nation-state and organizations.

But the most influential applications of institutional ideas to the analysis of organizations operate at the intermediate level focusing on the effects of societal rules and field-specific norms and beliefs. These socially constructed realities provide a framework for the creation and elaboration of formal organizations in every arena of social life (Meyer and Scott, 1983; Scott and Meyer, 1994). According to Meyer and Rowan, in modern societies these institutions are likely to take the form of “rationalized myths.” They are *myths* because they are widely held beliefs whose effects “inhere, not in the fact that individuals believe them, but in the fact that they ‘know’ everyone else does, and thus that ‘for all practical purposes’ the myths are true” (Meyer, 1977: 75). They are *rationalized* because they take the form of rules specifying procedures necessary to accomplish a given end. Law provides a good example. How can property legitimately change hands? How can an organization become a corporation? Legal systems—as complexes of rationalized myths—provide solutions to such problems. Meyer and Rowan argue that these institutional belief systems powerfully shape organizational forms:

Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts. Such elements of formal structure are manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations. (1977: 343)

Organizations receive support and legitimacy to the extent that they conform to contemporary norms—as determined by professional and scientific authorities—concerning the “appropriate” way to organize. These beliefs are so powerful that organizations that conforming to them receive public support and confidence even in situations where no specific technical advantages are obtained.

The impact of institutional rules and constructs can be pursued at varying levels. In its broadest version, institutional theorists argue that for too long organizations have been thought to somehow be insulated from culture. The received wisdom, as set out by the dominant rational system theorists, has it that organizations—in particular, organizations competing in the marketplace—are technical instruments rationally designed in accord with universal economic laws. It is the other parts of society—families, classes, political parties, churches, schools—that carry the cultural baggage. Organizations (except perhaps for the “soft under-belly” of workers who sometimes abide by collective norms or behave out of sentiment rather than self-interest) are viewed as embodying rational rather than cultural principles.

It is primarily due to the work of Peter Berger and colleagues (Berger and Luckmann, 1967; Berger, Berger, and Kellner, 1973) that institutionalists have slowly begun to advance the argument that the modern conception of rationality is itself a social and cultural construction—a collective, socially realized and enforced agreement emphasizing the value of identifying specific ends and developing explicit, formalized means for pursuing them. We social scientists have been slow to recognize, as Dobbin points out “that rationalized organizational practices are essentially cultural, and are very much at the core of modern culture precisely

because modern culture is organized around instrumental rationality” (1994a: 118). Lecturing to contemporary generations of students about norms of rationality is like lecturing to fish about water! From this highly general vantage point, organizations embody the primary values that distinguish modern cultural beliefs from earlier, more traditional or romantic forms. Organizations are the archetypes of modern societal forms. They are, as Zucker argues “the focal defining institution in modern society” (1983: 13). We think it more correct to say that organizations incorporate institutionalized elements. In order to demonstrate that they are serious about achieving some goal or protecting some value, individuals are obliged to create an organization, containing stylized rational elements, in order to symbolize their commitment.

However, most institutional work does not go on at this rarified level—accounting for generic organizational forms and the ubiquity of organizations in the modern world—but rather at the level of organizational populations and fields. We review some of these arguments.

Institutions, Organizational Forms, and Organizational Populations

Models for Organizing. Earlier in this chapter, we described ecological arguments regarding the emergence of new organizational populations. Whereas ecologists have been primarily attentive to the material resources required for constructing and supporting an organizational population, institutionalists have insisted on the equally important role played by cultural materials that provide constitutive models of organizing. Institutions play not only a constraining role via norms and rules, but also a generative one, formulating “particular configurations and forms of actors, and particular opportunities for action” (Dacin, Ventresca, and Beal, 1999: 324). Ideas or schema—about goals, means-ends relations, appropriate forms, and routines—are essential components, interacting with and giving meaning and value to material resources (Campbell, 2004; Sewell, 1992). Suchman (forthcoming) argues that such models provide the basis for crafting an “organizational genetics” to complement extant organizational ecological approaches. Models or templates for organizing arise and diffuse in numerous ways. The most common, termed *filiation*, involves the copying of a pattern as embodied in an existing organization. Filiation reproduces organizations of the same type. New models may arise in at least two ways. One, termed *compilation*, occurs when some type of intermediary—for example, corporation lawyers, venture capitalists, or management consultants—observe variations in forms and practices in a developing community of organizations and codify them as models to be emulated (Suchman and Cahill, 1996). Alternatively, entrepreneurs may combine components from various existing organizations into new combinations, creating by a process, termed *bricolage*, new hybrid forms (Campbell, 1997; 2004; Douglas, 1986). Once developed, models diffuse in a variety of ways: the movement of personnel; the influence of information intermediaries, such as accountants, management consultants, or business media; the actions of trade associations or public regulatory bodies; or the decisions of corporate executives to create branch offices or franchise operations (Strang and Soule, 1998). But, we must also keep in mind that most new models fail to survive or to reproduce.

Population Processes: Density Revisited. As we described earlier in this chapter, in their original version ecological accounts gave primacy to competition for scarce resources as the primary process shaping the dynamics of population growth and decline. But, as institutional arguments became pervasive, ecologists noted their relevance for explaining important aspects of population dynamics. Specifically, Carroll and Hannan

(1989) proposed that the gradual growth of a new population could be interpreted as reflecting the growing legitimacy of a new, unfamiliar form which, as the numbers of imitators increased, reflected the increasing acceptance of the form. Hence, the empirical regularities of the density dependence processes long studied by organizational ecologists could be interpreted as reflecting the interaction of two competing pressures—on the one hand, the increasing *legitimacy* of a new form and, on the other, the increasing *competition* among specific carriers of that form for scarce resources. For example, the patterns for union growth and decline exhibited in [Figure 10-1](#) reflect a growing legitimation of union organizing as a recognized and appropriate form, from 1835 to 1960, and, thereafter, increasing competition (and consolidation) among existing union organizations. As the form becomes more widely accepted, the rate of its growth increases up the point where competition among these similar organizations for relevant resources becomes sufficiently intense to end the period of growth and usher in a period of decline, as consolidation occurs and weaker firms are eliminated. Organizational density is depicted as a two-edged sword, having positive (legitimacy) effects on foundings in the early phases of the development of a population and negative (competitive) effects in the later phases. Emphasis is placed here on the cultural-cognitive pillar: “an organizational form is legitimate to the extent that relevant actors regard it as the ‘natural’ way to organize for some purpose” (Carroll and Hannan, 1989: 525).

Population growth is also influenced by specific normative supports and regulatory systems. Thus, Singh, Tucker, and House (1986) found that formal registration as a charity and listing in community directories reduced failure rates for social services organizations; and Baum and Oliver (1992) report that child-care agencies possessing service agreements with the provincial government or collaborative agreements with existing community-based organizations exhibited lower failure rates than organizations lacking such normative endorsements. Of course, which normative systems are salient varies across settings and over time. For example, Ruef and Scott (1998) showed that in an era dominated by medical professionals, hospitals receiving endorsement from these associations were more likely to survive whereas subsequently, in a time when managerial and market criteria were ascendant, hospitals enjoying the support of medical administrative associations fared better.

Institutional Processes and Strategic Responses

Early theorists examining institutional effects implicitly assumed an overly deterministic causality and an overly unified institutional framework. Much of the theoretical and empirical work during founding decades emphasized the *isomorphic* effects of institutional processes, as organizational fields and populations were asserted to become more alike in structural and procedural features (DiMaggio and Powell, 1983; see Scott 2001a: chap. 7, for a review). For example, Tolbert and Zucker (1983) examined how during a period of about five decades, from 1880 to 1930, a growing number of cities adopted civil service reforms in response to increasing normative pressures. Meyer and colleagues (Meyer et al., 1988) described the spread of systematic bureaucratic administrative forms in U.S. public schools during the middle decades of the twentieth century. And Fligstein (1985) showed that large firms were more like to adopt the M-form structure the more other firms in the same industry had previously adopted it.

But over time, analysts recognized that contradictory logics and frameworks may confront organizations and their participants with conflicting alternatives; and that, rather than presuming conformity to be the

dominant response, organizations could and often did respond strategically. Oliver argued the value of combining resource dependence strategies with institutional perspectives to identify a broader range of possible responses available to organizations in response to institutional pressures. Specifically, she suggested that in addition to “acquiescence”—the response presumed to be forthcoming by early institutional theorists—organizations and their participants could seek, variously, to “compromise,” engage in “avoidance” tactics, practice “defiance,” or attempt to “manipulate” the system (1991: 152). Oliver also developed a testable series of arguments regarding the conditions under which one or another of these strategies might be selected.

Studies by D’Aunno, Sutton, and Price (1991) described the compromises embraced by mental health agencies, which typically embrace one organization template, that decided to incorporate drug abuse programs that embrace a different organizing model; and Abzug and Mezias (1993) detail the range of strategies pursued by organizations responding to court decisions regarding comparative work claims under the Civil Rights Act of 1972. Alexander (1996) describes varying types of compromises made by museum directors and curators who seek funding for their collections and exhibitions from varying sources—wealthy individuals, corporations, foundations, governments—each of whom is likely to hold different, and often, conflicting criteria. Westphal and Zajac (1994) show that during the 1970s-1990s, many U.S. corporations felt under moral pressure to adopt long-term executive compensation plans that would better align shareholder and executive interests, but that some of these same corporations failed to implement them after announcing their adoption. Loose coupling and deception, as well as avoidance and compromise, are among the strategies utilized by organizations in coping with complex and conflicting environments.

These arguments and topics proved to be important in attracting management scholars to institutional theory. For understandable reasons, they had not previously been much drawn to a theory in which managers appeared as passive adopters of externally generated institutional rules and logics. Suddenly, it became clear that here was something else for managers to manage! While recognizing the value of additional challenges and of a more varied portfolio of organizational responses to institutional pressures, it remains important to stress that (1) institutional elements vary in terms of how subject they are to strategic responses—for some kinds of cognitive-cultural systems, a strategic response is literally “unthinkable” (Goodrick and Salancik, 1996); and (2) institutions themselves help to shape the types of strategic reactions which are available to actors in one or another context (Scott, 2001a: chap. 7).

Institutional Systems: Agents and Fields

Institutional Agents. Theorists suggest that, at least in modern societies, the two major types of collective actors who generate institutional rules and frameworks—regulatory policies, normative beliefs, and cultural-cognitive categories—are governmental units and professional groups. DiMaggio and Powell assert that “Bureaucratization and other forms of homogenization [are] effected largely by the state and the professions, which have become the great rationalizers of the second half of the twentieth century” (1983: 147).

Governments. The nation-state is the prime sovereign in the modern world, the major source of legitimate order, the sovereign agent defining, managing, and overseeing the legal framework of society. Earlier accounts of organizations largely overlooked the role of states in shaping the environments of organizations, but contemporary theorists have come to recognize that the nation-state is always a relevant

actor, although the ways in which the state acts varies from place to place and time to time (Block, 1994). Although often treated as a monopolistic agency, the state—particularly liberal states such as the United States—is more realistically treated as a highly differentiated, multifaceted, often loosely coupled congeries of organizations. In addition to the three branches of government, within the executive and administrative branch, many semi-independent agencies regulate and fund a wide range of economic and social functions. Federal systems also divide powers between national, state, and local governmental units.

Lindblom has pointed out that “an easy way to acknowledge the special character of government as an organization is simply to say that governments exercise authority over other organizations” (1977: 21). Although Lindblom goes on to caution that governmental authority is sometimes contested, it is nevertheless essential to take account of governments’ special powers—including its monopoly over the legitimate use of violence—and of the unique role the nation-state plays as an organization among organizations.

A wide variety of processes and mechanisms operate to link governmental units and their “subjects,” whether individuals, organizations, or industries. The lion’s share of attention has been accorded by scholars and organizational participants to the allocative and regulative roles of government. Familiar examples of *allocative* powers include taxation, grants-in-aid, subsidies, and various forms of corporate welfare. In addition, governments often act as a direct purchaser of goods and services—for example, military equipment and accounting services—from organizations in the private sector. Indeed, recent years have witnessed an enormous increasing in the contracting out of work by the state to the private sector (Salamon, 2002). Governments also devise *regulative* systems designed to oversee organizational behavior, ensuring that rules protecting competition and employee welfare are observed, and attempting to curb “externalities”—costs such as pollution borne by third parties, including the wider public, that are the byproduct of production (Noll, 1985; Stigler, 1971; Wilson, 1980). Regulative systems are often charged with motivating evasion rather than compliance, but the most successful of them create norms that are internalized—incorporated into the structure of relevant organizations. Thus Edelman (1992) and Dobbin and Sutton (1998) describe the processes by which ambiguous rules intended to advance equal opportunity and diversity in the workplace, even though often weakly enforced, stimulated normative and cognitive changes in personnel and managerial circles to support reforms, often couching their arguments in efficiency terms. And Hoffman (1997) details the growing influence of environmental engineers employed by chemical and petroleum companies in the United States, many of whom worked to advance “green” agendas from within their organizations during the latter decades of the twentieth century.

Less attention has been accorded the *constitutive* powers of the state, although these are arguably the most significant. Working primarily through its legal systems, the state constructs a framework of legal entities, such as corporations and unions, and specifies their attributes, capacities, rights, and responsibilities (Edelman and Suchman, 1997). Of particular importance for economic units are a subset of these rules that define *property rights*—“rules that determine the conditions of ownership and control of the means of production” (Campbell and Lindberg, 1990: 635). For example, the rights accorded to workers and unions by the Wagner Act in 1935 were greatly restricted by the Taft-Hartley Act of 1974.

Another understudied facet of government shifts attention from the state as collective actor to the state as *institutional structure* (Campbell and Lindberg, 1990). In the latter guise, the state presents itself in a variety of organizational configurations—both at the societal and the organizational field levels—providing different

means of access, diverse policy determination and implementation processes, and varying forums for conflict resolution (Hult and Walcott, 1990).

But influence processes are not unidirectional. As noted in [Chapter 9](#), organizations, acting both alone and in league with others, exert important effects on state policies and activities (Prechel, 2000). In his historical study of the largest U.S. industrial corporations from the 1920s to the 1980s, Fligstein argues that large firms develop various control strategies “to solve their competitive problems” that vary over time (1990: 12). These strategies emerge out of interactions between leading members of the firm and “through interaction with the political and legal system in the United States” (p. 296). From the beginning of the republic, organizations have attempted to translate their economic power into political influence. Most of us are aware of the political activities of organizations—petitioning, lobbying, providing data and “expert” testimony—as they attempt to influence governmental programs. A recent example is provided by the ability of corporate interests to persuade most of the fifty states to enact antitakeover legislation during the decade 1980–1990 (Vogus and Davis, 2005). The power of the political action committees (PACs) is only the latest vehicle by which organizations attempt to influence political decisions at the federal level. (See Clawson, Neustadt, and Weller, 1998; Domhoff, 1998; Mizuchi, 1992).

Professions. More so than other types of collective actors, the professions exercise enormous influence on cultural-cognitive, normative, and regulative systems, collectively creating and warranting these systems of knowledge and control. They have displaced earlier claimants to such wisdom and moral authority—wizards, prophets, seers, sages, intellectuals—currently exercising supremacy in today’s secularized and rationalized world. As the dominant contemporary institutional agents, different professions emphasize one or another institutional element in their work (Scott, 2005a).

Some professions operate primarily within the *cultural-cognitive* sphere by creating conceptual systems:

Their primary weapons are ideas. They exercise control by defining reality—by devising ontological frameworks, proposing distinctions, creating typifications, and fabricating principles or guidelines for action. (Scott and Backman, 1990: 290)

Knowledge systems vary from the periodic table and the laws of physics to medical diagnostic categories and rules of grammar. Some systems are more empirically based, others less so. Exemplary professions stressing cultural-cognitive systems are the various sciences. They exercise control within their own occupational ranks primarily by means of the shared conceptions of problems and approaches they employ (Knorr-Certina, 1999). Externally, these professions exercise “cultural authority” (Starr, 1982): clients and students follow their “orders” to the extent that they accept their knowledge claims.

Others, such as theologians, therapists, and a variety of environmental and human rights specialists, create and promulgate *normative* frameworks. Their professional bodies are increasingly active at national and even transnational levels. As previously discussed, Meyer (1994) argues that such professionals operate at a world-system level, holding conferences, issuing statements, promulgating recipes for reforming and rationalizing one after another sphere of activity—from standards for health and education to procedures for protecting the environment. INGOs organized at the transsocietal level provide important vehicles for these activities (Boli and Thomas, 1999). Brunsson and Jacobsson (2000) point out that these professionals lack coercive power (like states and corporations) or resources to induce compliance but wield substantial influence

over the behavior of others by promulgating standards which they invest with moral authority.

Still other professional occupations, such as legal experts, the military, and managerial professionals, exercise substantial influence over *regulatory* bodies ranging from nation-states to state and local governments to private corporations. Such groups draft constitutions and treaties, craft legislation and corporate frameworks, exercise surveillance, and manipulate rewards and sanctions.

And, as discussed above, for our purposes, the most important consequent of all this institutional activity fermented by professionals is the proliferation of organizations in diverse sectors and at multiple levels.

Organizational Fields. Organizational fields have emerged as a vibrant new level of analysis for understanding organizing processes and structures (see [Chapter 5](#)). As defined by DiMaggio and Powell (1983), fields are comprised of diverse organizational populations and their supporting (e.g., funding) and constraining (e.g., regulatory/competitive) partners, all of whom operate within an institutionally constructed framework of common meanings. Fields necessarily vary among themselves and over time in their degree of *structuration*—their relational and cultural coherence (DiMaggio and Powell, 1983; Giddens, 1979). DiMaggio, and Powell (1983; DiMaggio, 1983) stress the relational, network features of structuration—for example, extent of isomorphism exhibited by participating structures, flow of information, level of interaction among organizations, degree of defined patterns of coalition and dominance—but it is important to retain the original framing of Giddens’s definition that structuration stresses the recursive interdependence of rules and relations, of schemas and resources (see also Sewell, 1992). As structuration increases, meanings become more widely shared: institutional logics—“the practices and symbolic constructions which constitute [a field’s] organizing principles” (Friedland and Alford, 1991: 248)—more pervasive. This does not necessarily mean that there is high consensus and ideological unity. Some fields are structured by the issues around which parties contend, as Hoffman (1997) illustrates in his analysis of the rise of environmental issues in the U.S. chemical and petroleum industries during the last decades of the twentieth century. Prior to the 1970s there were few environmentally oriented governmental controls, but with the onset of the environmental movement, activists grew in numbers and influence and were able to obtain passage of a number of laws and the creation of agencies to enforce them. By the 1990s, a “field” of industrial environmentalism had been constructed with industrial, governmental, and social movement actors playing leading roles.

Much has been written and many studies have been conducted to illuminate the dynamics of organizational fields. Much of this work relies and elaborates on the basic argument that fields and organizational forms co-evolve: that field processes produce and reproduce organizations just as organizations both adapt to and transform fields. We review selected studies pertaining to the origins of fields, factors shaping the operation of existing fields, and factors giving rise to the restructuring of fields.

Origins of Fields. The beginning of wisdom for an institutionalist is the recognition that existing institutional structures shape the creation of new fields. Still, studies exist of efforts to create (relatively) new forms in (relatively) unstructured, or understructured, contexts. DiMaggio (1991) relates the history of the creation during the late nineteenth century in America of the “high” culture field of art museums. He posits a contest between two varying models of museums—one more broadly populist (e.g., public libraries), the other more elitist, a connoisseurship model of acquisition and exhibition of fine arts treasures. Differing types or art

professionals championed each of these models, but eventually, with the decisive help of the Carnegie Foundation, the latter triumphed.⁵ Two important lessons are drawn: (1) fundamental conflicts in institutional logics are more likely to be visible in the early stages of field formation than after a field has become highly structured; and (2) professional activists operate at two, relatively independent levels—within organizations, as professionals, managers, and trustees jockey for position and, more fatefully, outside organizations at the field level, as logics and frameworks are crafted and contested so that, eventually, one vision of the field is privileged over others.

Morrill (forthcoming) also examines the emergence of a new field—alternative dispute resolution (ADR)—at the “interstices” between the existing fields of law and social work. Tracking the development of this new professional arena, Morrill distinguished three stages, beginning with an innovation phase in which a large and growing number of problem cases not amenable to conventional legal or social work practices began to connect to informal problem-solving methods employed in domestic relations or labor arbitration cases. There followed a mobilization stage in which two models of dispute resolution competed, a “community mediation” and “multidoor courthouse” approach, each backed by a different professional constituency and associated with a different organizational form. Although none of the parties was able to obtain definitive federal backing for their approach, the field progressed into a phase of increasing structuration as the contenders identified a common body of knowledge, codified normative standards, created new professional organizations, and developed university-based training programs. By the mid 1990s, ADR had successfully carved out “a professional jurisdiction for alternative practices” (p. 29).

Employing an approach that incorporates social movement arguments and market strategies, Lounsbury and colleagues (Lounsbury, 2005; Lounsbury, Ventresca, and Hirsch, 2003) depict the contentious development of a for-profit recycling industry in the United States between 1960 and 2000. With the broad backdrop of increasing salience of environmental concerns, recycling advocates wrestled over issues of technology—waste-to-energy incineration versus recycling—and enterprise form—community-based centers versus for-profit companies. Although activist organizations were able to create a heightened social consciousness, elevating awareness of the importance of environmental issues, they could not successfully compete with corporate interests, which took advantage of regional and national infrastructures allowing them to obtain economics of scale. In this field, during the period of study, a for-profit model drove out the vision of a community-based alternative.

Evolution of Fields. The most characteristic narrative of field structuration stresses the interacting processes of diffusion, imitation, and adaptation, and the resultant community order. A study by Haveman and Rao (1997) details the co-evolution of institutions and organizational forms in their historical analysis of the California thrift industry between 1890 and 1928. Early forms reflected the dominant logics of the virtues of mutual assistance and self-help. Members were shareholders, not depositors, and plans were dissolved when all participants had saved sufficient funds to build or buy they own homes. These do-it-yourself forms were gradually supplanted by a more conventional corporate model, “the Dayton/guarantee-stock plan,” in which members were differentiated from managers and depositors from borrowers. A number of hybrid forms also were devised, but in the end, the Dayton model became dominant. Haveman and Rao argue that the earlier mutual forms were consistent with the informal patterns of rural communities while the Dayton model was

more congruent with the institutional logics of the Progressive era, “appealing to well-understood rational-bureaucratic procedures and arguing in efficiency terms.” (1997: 1641)

A somewhat similar evolutionary process is described by Schneiberg and Soule (2005), who examined the changing forms of rate regulation by the several states in American fire insurance during the first third of the twentieth century. Regulatory policies are depicted as resulting from “contested, multi-level” processes.” Whereas groups in northern urban states favored an “associational model” of order in which insurance companies were allowed to work out rate agreements among themselves, other groups, largely in Midwestern and Plains states rejected this “corporate” solution and called for statist antitrust legislation and rate regulation. Between these two extremes, over time a middle way was crafted, involving the creation of an independent inspector to review rates set by companies. These battles and the final institutional settlement are shown to reflect the interaction of three distinct modes of political activity: contests within each state were affected by the size and power of competing interests within the state (e.g., membership in the state Grange or State Farmers Alliance); states monitored activities in neighboring states and “borrowed” reform ideas; and both processes were affected by decisions during this period of the U.S. Supreme Court and by associational activities at the national level.

Field Responses to Challenges. An interesting early study conducted at the field level of analysis is that of Miles (1982), who studied the response of the “Big Six” corporations in the United States tobacco industry to the threat posed by the demonstration of a causal link between smoking and impaired health. Although there was some early warning, the publication of the surgeon general’s report linking smoking and cancer and subsequent actions taken by various federal agencies constituted a major “environmental” crisis for these organizations. Although each corporation adopted a variety of individual strategies ranging from product innovation to diversification, they also engaged in collective action. For example, during the first signs of trouble, they created the Tobacco Industry Research Committee to conduct their own studies of the effects of tobacco use. Following the surgeon general’s report, they collectively engaged in a wide variety of lobbying efforts, providing cancer-research grants to the American Medical Association and various universities and monitoring closely and attempting to influence legislative and administrative actions affecting their interest.

At the same time that the largest tobacco companies were engaged in these collective actions, however, selective processes were also at work reducing the number of companies in the industry. Population ecologists remind us that it is important not to focus exclusively on the dominant companies in an industry. Turning attention from the Big Six to the entire population of tobacco companies, Hannan and Freeman (1989: 32–33) report that during the period of interest, “of the 78 companies in the U.S. tobacco business in 1956, 49 had left the industry by 1986.” Twelve of these companies shifted into other business lines, but thirty-seven firms had closed their doors. Changes in field composition and structure is a joint product of both adaptation and selection processes.

Hoffman (1997), as noted, also examines the response of industry to governmental regulation: the changing nature of the response by the U.S. petroleum and chemical industries to increasing environmental protections, beginning with the Clean Air Act of 1970. Prior to 1970s, there were few governmental controls, and industry participants “displayed an autonomous self-reliance based on technological self-confidence” (p. 12). After the creation of the Environmental Protection Agency (EPA) in 1970, industry members and

environmental activists operated largely in separate camps, industry seeking ways to minimally comply with the new federal requirements. When conservatives came to power in 1980, governmental controls were weakened, but environmental groups grew in numbers and influence. After 1990, the power balance between government, the industry, and activists began to equalize. “For the firm, organizational boundaries began to blur, allowing direct influence by these [activist and regulatory] constituents” as “solutions were seen as emerging from the organizational field in its then expanded form” (p. 13). Throughout the entire period, industries were increasingly working to internalize environmental expertise—creating departments of environmental engineering and devoting greater managerial attention to environmental concerns. The story told is not only one of the changing role of governmental agencies and social movements and of changes in organizational and industry structure in response to environmental pressures, but also changes in managerial ideologies—in the “institutional logics” employed by managers to interpret their responsibilities in relation to the environment.

Another study examines changes in field definition and internal structures resulting from changes in the information systems utilized to define the markets served. Anand and Peterson (2000) examined changes in the field of commercial music resulting from alteration of the procedures employed to assess sales of various music genres. Earlier information regimes based their report of record sales on a panel of about 200 reporting sales outlets with the claim that these were a “weighted cross section” of stores selling commercial music records. However, with the introduction of bar codes, it became feasible to track record sales from a much wider range of sales outlets. This new sampling technology revealed that earlier approaches had vastly underestimated sales of country music, whose audiences were more often located in rural areas, patronizing unconventional suppliers—for example, gasoline stations and convenience stores—types of outlets omitted from earlier sampling approaches. This newly available information led to an altered conception of the music industry, in particular, the position of country music within it. And this information also changed the behavior of recording executives, who began to adapt their contracting decisions with recording artists and with distributors to take into account a newly recognized audience.

Organizations that embody existing field logics must also find ways to respond to changing logics—changes in beliefs and norms—that often take the form of changes in market demands. For example, kibbutzim in Israel were initially organized around socialist Zionist principles. A core element of these founding principles was that hired labor was anathema: work was to be performed by the collective (self-labor), not by “wage slaves.” Yet, a study by Simons and Ingram (1997) found that those kibbutzim that were more dependent on bank debt employed proportionally more hired labor, indicating that ideology may be trumped by organizational survival. Moreover, as support for socialist logics has waned, all the kibbutzim as a group have moved toward using more hired labor over time, regardless of their founding ideology. In a similar manner, traditional four-year liberal arts colleges in the United States had strong commitments to a particular form of education for decades. But once the Baby Boom generation left college, available students grew scarcer, and those who remained sought more “practical” training in topics like business. Thus, over time, even those colleges most committed to a liberal arts curriculum have begun to offer increasing numbers of business and technical/professional degrees, a survival strategy that has turned out to be quite helpful in staving off bankruptcy (Kraatz and Zajac, 1996).

Field Restructuration. Major changes in organizations can be precipitated by both exogenous and endogenous processes. As we discussed earlier in this chapter, major technological improvements, in particular, those that are “competence destroying,” can lead to the replacement of dominant organizational populations by entirely new forms (Tushman and Anderson, 1986). And political and economic crises, such as the fall of communism in the Soviet Union and Eastern Europe, can destabilize existing fields. For example, Stark (2001: 70) proposes that in the aftermath of the upheavals in Eastern Europe in 1989, these countries can be viewed as a genuine social laboratory because individuals are “actively experimenting with new organizational forms”—drawing selected elements from public and private forms and arranging them in new combinations. In a similar manner, and for related reasons, observers report much innovation and variety in today’s China (Child, 1994; Lin, 2001; Tsui and Lau, 2002).

Important types of endogenous sources of pressure for change include the ever-present operation of “gaps” or “mismatches” between macromodels and microrealities (Sjöstrand, 1995). General templates must perforce give way over time to the pressure of events on the ground. And, as just noted, market pressures provide impetus for change and reform. For example, pressures for changes in U.S. school organization currently stem from perceived inadequate performance (“failing” test scores compared to systems in comparable countries) or, in the case of health system, escalating costs. Indeed, the organization of health care services in the United States has undergone major transformation in recent decades, as documented by Scott and colleagues (2000).

These researchers studied changes over a fifty-year period in the U.S. health care field. Data were gathered on all organizations comprising five populations of care organizations—hospitals, health maintenance organizations, home health agencies, kidney disease centers, and integrated health care organizations—in one locale, the San Francisco Bay area, during the period 1945–1995. Although the study was restricted to organizational populations in one metropolitan area, changes were assessed in relevant material resource and institutional environments at local, state and national levels. Three periods or eras were identified, based on changes in primary institutional logics and governance structures. *Governance structures* “refer to all those arrangements by which field-level power and authority are exercised involving, variously, formal and informal systems, public and private auspices, regulative and normative mechanisms” (Scott et al., 2000: 173).

At the beginning of the study, professional associations were the primary governance units and physicians exercised uncontested cultural authority over the field (see Starr, 1982). Dominant logics stressed “quality of care” as defined by physicians. However, the growth of specialization, accompanied by the rise of specialist associations, reduced the unity of physicians—an endogenous change—and, partly as a consequence, in 1965 the federal government through the passage of the Medicare and Medicaid acts became a major player, both as purchaser and regulator of health care services. To the controls exercised by professional associations were now added a wide variety of public fiscal and regulatory systems; and to a logic stressing quality was added a more public ideology of improving “equity of access.” As health care costs continued to spiral out of control, in 1982 a third era emerged characterized by the increasing use of managerial and market mechanisms to govern the sector. The new logics stressed the importance of “efficiency” (Scott et al., 2000, chap. 6).

In response to these changing governance arrangements and cultural beliefs, as well as changes in local

demographic characteristics, organizations delivering health care services underwent important changes. Hospitals and other traditional providers utilized buffering strategies such as leveling and adjusting scale (numbers of beds). Bridging strategies were widely employed as organizational providers increasingly relied on contracts with physician groups, entered into strategic alliances, or were horizontally or vertically integrated into larger health care systems. The most dramatic changes, however, occurred at the population and field levels. Generalist providers (hospitals) failed in large numbers and were increasingly replaced by specialist organizations (for example, home health agencies); public and nonprofit organizations were replaced by for-profit forms. New types of organizations emerged—for example, home health agencies and health maintenance organizations—and the boundaries of existing organizations, such as hospitals, were reconstructed. For example, kidney disease units that originated as subunits of hospitals were “unbundled” and set up as independent units. Even the boundaries of the field of health care itself experienced change. Having been sheltered for decades from the industrializing, bureaucratizing, profit-oriented processes that characterized other industries, health care by the end of the twentieth century looked much less distinctive. Financial market-oriented forces had claimed yet another arena (Scott et al., 2000).

As a final example of institutional-organization restructuring, Rao (2003) combines social movement and institutional arguments to examine the “revolution” occurring in French cuisine as a rebel breed of chefs introduced a new culinary rhetoric, replacing classical with nouvelle cuisine. Rao argues that the two cuisines represent different institutional logics—rules of cooking, types of ingredients, bases for naming dishes—as well as contrasting identities for chefs and waiters. The growing success of the new cuisine was systematically tracked by charting changes over time in the menus of leading restaurants—a random sample of the signature dishes of chefs between the years 1970 and 1997 were coded by category. Increasing adoption of nouvelle cuisine was found to be associated with changes over the period in the number of articles published in culinary magazines favorable to this cuisine, the number of prior chefs adopting this cuisine weighted by the number of stars received from the *Guide Michelin*, a valued measure of culinary excellence, and the proportion of chefs elected to the executive board of the professional society of French chefs. Rao argues that institutional change also entails a “politics of identity” as actors who embrace new social logics must also shift their group allegiance, replacing one role identity with an altered one (p. 835).

As a number of the studies reviewed document, institutional studies of change have been informed by ideas and arguments associated with the study of social movements. The academic study of organizations and movements have developed during roughly the same period, but largely independent of one another (for a review, see McAdam and Scott, 2005). Social movement theorists have long attended to the processes involved in the awakening and empowerment of suppressed groups and interests and to the resulting infusion into a “settled” field of new ideas, of new repertoires of action and new forms of organizing (see Clemens, 1997; McAdam, 1999; McAdam, McCarthy, and Zald, 1996a). Whereas numerous social movement theorists have productively imported ideas regarding processes of mobilizing and the value of organization building from organizational scholars (e.g., Zald and McCarthy, 1987), recent years have witnessed the profitable flow of ideas in the other direction—from social movement to organizational scholars (Davis et al., 2005).

Critique

Institutional theory, in its newest guise, burst on the organizational scene in 1977. The early formulations by Meyer and Rowan and by DiMaggio and Powell sketched out a bold argument, insisting that organizational structures, far from reflecting the forces of task demands and competitive/efficiency requirements, were more responsive to a set of social-cultural pressures. Social fitness trumps economic competition as the prime force shaping organizations. Indeed, institutional pressures were seen in many ways as contradictory to rational modes of organizing.

From these early, audacious, and overstated premises, contemporary institutional theorists have reined in and moderated their arguments along several lines (Scott, forthcoming). Early institutional arguments were often inadequately verified. Assertions were made but not empirically tested; cultural forces were described but not measured. In addition, the arguments made were often overly deterministic; the language employed emphasized “institutional effects.” More recent work takes a much more interactive view, stressing that (1) institutional frameworks are often contradictory, allowing organizations some discretion in choosing which versions to relate to; (2) the clarity and sanctioning power of institutional agents varies substantially, allowing for organizational latitude in interpretation and conformance; and (3) not only institutional agents, but also organizational participants enjoy latitude and choice in their behavior, so that the latter exercise discretion in determining their response to institutional pressure. More generally, early work gave little attention to agency or power or to mechanisms—Which actors are involved and what are the processes by which observed changes take place? More recent work attends more to agency and to causal mechanisms. At the same time, more attention is given now than previously to the antecedents of institutional change.

Most important, institutionalists increasingly see their arguments not as opposed to but accommodating the concerns of rational/economic theorists. A growing number of institutional theorists (e.g., Hamilton and Biggart, 1988; Powell, 1991; Scott et al., 2000; Whitley, 1992) describe the ways in which wider institutional premises frame the situations within which specific economic agents define and pursue their interests.