# Inter-Organizational Institutions*

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**Institutional Change**

Institutional approaches to the study of organizations provide an active and fruitful line of organizational research (seminal theoretical statements include Meyer and Rowan 1977; DiMaggio and Powell 1983; for reviews see Scott 1987, 1994; DiMaggio and Powell 1991). Unlike Selznick's (1949) inquiry into how organizations become institutions, contemporary institutional analysis asks how organizations are influenced by institutionalized rules and institutional environments --- forces that operate, by definition, above and across organizations. Much research documents institutional effects on organizational practices, performance, and life chances. This work mainly focuses on the impact of the state and the professions on organizations, and on tracing the diffusion of new organizational practices and forms.

While we know much about how organizations are molded by institutional forces, the sources of institutions and institutional change are relatively neglected. Brint and Karabel (1991) contend that a muscular "sociology of institutional forms" needs to be complemented by an undeveloped "sociology of institutional change." DiMaggio (1988) argues that "institutional theory tells us relatively little about 'institutionalization' as an unfinished process....even less about deinstitutionalization: why and how institutionalized forms and practices fall into disuse." And Hirsch (1997) contends that prevailing institutionalisms suggest a *Brave New World* where harmony and order reign supreme.

These silences are especially important given concern that institutional accounts cannot provide a coherent analysis of change. The foundational notion of an "institution" emphasizes permanence and stability. Theoretical commitments leave little room for the usual drivers of change. Interests and purposes are viewed as socially constructed, diminishing the prospects of action in opposition to institutionalized rules. And while institutions have been interpreted as systems of opportunity as well as of constraint, the relevant opportunities involve not systemic change but skillful performance along conventional lines --- those seized by Joe DiMaggio or Marilyn Monroe, not Che Guevara or Sid Vicious.

Critiques from "within" as well as "outside" the institutional perspective contend that core theoretical positions need to be rethought if institutional change is to be grappled with effectively. Many argue for bringing power and interest back in (DiMaggio 1988; Brint and Karabel 1991). Zucker (1988) develops ideas about entropy and the contagion of legitimacy. Oliver (1991, 1992) argues for a more strategic institutionalism, and Powell (1991) for explicit models of path

dependency. Stinchcombe (1997) points to the strengths of an "old institutionalism" that treated institutions as organizations manned by people committed to substantive values, and Greenwood and Hinings (1996) combine its insights with contemporary approaches to develop models of change.

This chapter focuses on neo-institutional and related lines of research that address institutional change. While we agree with critics that fundamental theoretical positions must be reworked if institutional change is to be better explained, we also think that review of empirical work provides insight into the logic of institutional accounts, and can suggest lessons for theoretical and empirical progress.

It is in fact remarkable how frequently institutional research analyzes substantial institutional change. It does so in a search for theoretically meaningful variation. After all, institutional accounts often imply that organizations are affected in the same way, or even homogenized by, a common institutional environment. This sort of argument suggests comparison of organizations operating within different institutional environments. And a main way of observing different institutional environments is by examining a sector undergoing dramatic historical transformation.

## Conceptions of Institutions and Institutional Effects

Neo-institutional analysis in organizational studies is one wing of a larger "institutional turn" in the social sciences. Choice-theoretic studies of institutions in economics and analyses of decision-making structures in political science form two related streams of thought (see Hall and Taylor 1996 for a review; Campbell and Pedersen 2001 demonstrate connections and complementarities among different  institutional perspectives). Despite fundamental diversity, these perspectives share a common opponent in reductionist approaches that view the preferences and capacities of individual actors as directly generating complex social outcomes. Institutional theories posit instead a two-level model of social action, where individual action is constrained and shaped by an institutional context. All institutional theories thus argue that particular practices or outcomes can become "built in" to the social order---occurring without substantial effort or mobilization, and resistant to counter-mobilization (Jepperson 1991).

What sorts of factors can be taken as strongly shaping but relatively unresponsive to social action? Here the variety of institutionalisms part company. Institutions can be identified with "rules of the game" that bound everyday politics. Or institutions can be identified with the way organizational edifices and routines structure today's behavior. Or institutions can be identified with culture: the categories and understandings that shape how actors understand themselves and the lines of action they are able to formulate.

In organizational research, institutionalists have generally taken the third road. Organizational neo-institutionalists describe forms, practices and routines as institutionalized when they are invested with social meaning. Selznick descibes a practice as institutionalized when it is "infused with value beyond the technical requirements of the task at hand" (1957: 17). Meyer, Boli and Thomas see institutions as "cultural rules giving collective meaning and and value to particular entities and activities, integrating them into larger schemes" (1987: 13). Scott (1995) points to three types of institutional supports: the regulative (formal rules and incentives constructed by the state and other empowered agents of the collective good), normative (informal rules associated with values and explicit moral commitments), and cognitive (abstract rules associated with the structure of cognitive distinctions and taken-for-granted understandings).

There is important variety even within these "pillars" or "bases" of institutionalization (Sine 1999). Practices may be cognitively institutionalized because they are *taken-for-granted* on a pre-conscious level and escape critical scrutiny. Or practices may be cognitively institutionalized because they have perceived *efficacy* within self-conscious models for behavior. Practices may be normatively institutionalized because they reflect deeply felt *values* (see Elsbach's discussion in this volume of `hot' and `cold' cognitions). Or they may be normatively institutionalized because they are *prevalent* and *integrated* into other activities. Practices may be regulatively institutionalized because they are *authorized* by agents of the collectivity, or because defections are *penalized* by powerful actors.

If institutional "pillars" co-varied strongly, institutional change would be exceedingly rare. But different institutional supports may be weakly correlated with each other, and even in tension. For example, it is often easier to legitimate non-existent practices than established ones, whose blemishes are all too obvious. And where cognitive, normative, and regulative supports are not well aligned, they provide resources that different actors can employ for different ends.

Consider an exemplar of social theory, Max Weber's *The Protestant Ethic and the Spirit of Capitalism*. Weber conceptualizes the "spirit of capitalism" as a culturally distinctive orientation, where individuals conceive it their duty to accumulate wealth through sober, law-abiding, rational effort, and to re-invest rather than enjoy the fruits of their labors. This orientation emerged (in Weber's account) out of the evolution of religious doctrine, as the idea of predestination led Calvinists to search for indirect evidence of their salvation. But Weber also argues that capitalism outlived its religious sources:

> "The Puritan wanted to work in a calling; we are forced to do so. For when asceticism was carried out of the monastic cells into everyday life, and began to dominate worldly morality, it did its part in building the tremendous cosmos of the modern economic order. This order is now bound to the technical and economic conditions of machine production which today determine the lives of all the individuals who are born into this mechanism…" (Weber 1958: 180).

Weber's argument is thus about institutional change. Cultural movements can produce new lines of action that are later institutionalized. And institutional structures can erode their cultural roots, as puritanical entrepreneurs give birth to trapped organization men and fun-loving hedonists.

## Naturalistic Accounts of Institutionalization

A core dynamic within institutional imagery is institutionalization itself as a natural and undirected process. Berger and Luckmann (1967) argue that institutions build up naturally in any social situation. As people act jointly towards some end, activities are habitualized and reciprocally interpreted. "There I go again" becomes "there we go again" becomes "this activity involves these sorts of roles and behaviors." Socially constructed interpretations are nascent institutions that `harden' and `deepen' as they are transmitted to others (particularly the next generation) as objective facts about the world rather than contingent agreements. For Berger and Luckmann, social interaction naturally crystallizes in institutional form, and purposive "action" is needed not to form but to transform institutions.

Much work follows these insights in detailing the cultural legitimation of new practices. Hirsch (1986) sensitively portrays changing social understandings in an analysis of business press reports on hostile takeovers. Early takeovers were understood as meaningless violations of the social order, on a par with drive-by shootings. As takeovers accelerated in scope and began to be

executed by insiders as well as outsiders, more complex imageries of `cowboys and Indians' and `princesses and knights' developed. Hirsch argues that this new discourse normalized takeovers, providing both winners and losers with a script and roles to play. In short, a crime had become an institutionalized game.

Hannan and Freeman's (1989) model of the endogenous population dynamics provides a simple formal model of institutionalization. They argue that legitimacy should increase with the number of instances of an organizational form presently in operation. "When numbers are small, those who attempt to create a form must fight for legitimacy: they must argue both for the special purposes of a proposed organization and for the design of the form. Once many instances of the form exist, the need for elaborate justifications diminishes" (1989: 132). High legitimacy leads to more organizational foundings and fewer organizational failures, which leads to population growth, which generates even greater legitimacy.

Other work treats legitimacy as a product of relational embeddedness where organizations gain legitimacy by building ties to other organizations. Baum and Oliver (1992) find that the life chances of child care organizations in Toronto improved with the volume of relationships to city government, schools, churches, and other community organizations. Ritti and Silver (1986) discuss the way a new governmental watch-dog group strategically developed relationships with other public and private organizations. And most famously, Selznick (1949) examined how the Tennessee Valley Authority built ties to local actors and interests, improving its life chances while altering its initial goals.

Diffusion studies stress the interdependent roles of both cognitive "sense-making" and social networks in the transmission of new ideas and behaviors (Strang and Soule 1998). For example, Davis and Greve (1997) examine the spread of two different practices, the poison pill and the golden parachute. They argue that the two innovations were channeled by different network structures because one was legitimate and the other illegitimate. The poison pill (legitimated as a defense for shareholders) diffused through the relatively thin ties of board overlaps, while the golden parachute (delegitimated as a reward for incompetent managers) diffused more slowly through the relatively thick ties of local business communities.

**Change Agents**

Different institutional accounts of change view different actors as central. We consider three sets of actors emphasized in different acounts: states and professions who lead institutional reform movements "from the top," marginals and outsiders who innovate, and mobilized groups who push for institutions that reflect their concerns and interests.

*Institutional Reformers at the Top*

Much neo-institutional research treats the state and the professions as key institutional entrepreneurs. The state directly regulates business and other organizations, can offer incentives, and is a sufficiently large exchange partner that it often impacts other organizations in unanticipated ways. Professions can carve out areas of autonomy, induces occupational cultures that affect organizations in similar ways, and often rise to the fore as interpreters and mediators of state policies.

Fligstein (1990) treats shifting patterns of antitrust law as promoting change in corporate "conceptions of control" (dominant models of corporate strategy and structure). For example, the Sherman Anti-Trust Act concluded an era of "direct control," where firms sought to destroy competitors or to collude with them to partition markets. In the 1960s, prohibition of mergers that increased market concentration obliged leading firms to experiment with new strategies and to construct new structures (such as the financially-administered conglomerate) that fit within the constraints of federal policy.

Much work demonstrates the impact of the state on organizational employment practices. Baron, Dobbin and Jennings (1986) find that the federal government's active management of the economy during World War II precipitated the formalization of employment, as wartime agencies constructed job categories to stabilize employment and firms used them to communicate their manpower needs. The more recent evolution of human resource practices is tied to the state, particularly through a set of unintended effects of equal rights law. By requiring firms to make (and demonstrate to the satisfaction of third parties that they had made) race-blind hiring and promotion decisions, EEO law generated not only affirmative action officers but also performance testing (Edelman 1990, 1992; Dobbin et al 1993).

Strang and Bradburn (2001) note that the state constructs organizational forms as well as regulates organizational populations. In the early 1970s, the Nixon administration diagnosed rising health costs as a product of fee-for-service arrangements, where third party insurance footed the bill

while physicians made decisions about what care should be provided. Their solution was to conceptualize a new organizational form, the health maintenance organization (HMO), which would better align incentives and capabilities by integrating health insurance and delivery. This new form was then sponsored by the federal government, which held out carrots to potential HMO founders and eliminated restrictive professional practices.

Hamilton and Biggart (1988) argue that differences in industrial structure in Japan, Korea, and Taiwan result from the problems faced by states and their consequent legitimating strategies. In Japan, a post-war state with little centralized power facilitated the re-emergence of fief-like *zaibatsu* that could organize economic sectors and take on substantial welfare and identity-creating roles. In Korea, a state torn by civil war sought to direct economic activity by creating large, hierarchically structured *chaebol* that could be managed by state planning agencies. And in Taiwan, Chang Kai-shek's regime supported family-oriented business while studiously avoiding favoritism, an approach that helped win acceptance among indigenous Taiwanese. Hamilton and Biggart emphasize that while legitimating strategies drew on prior models of the relationship between state and society they reworked those models to fit new problems.

Discussions of the state's engineering of institutional change thus reveal two different sorts of arguments. In part, attention to the state permits a cultural analysis of the social, political, and professional understandings that direct state action. For example, Strang and Bradburn (2001) emphasize that state legislators and health analysts found market models more sensible than arguments about professional discipline or bureaucratic regulation. Dobbin (1994) demonstrates that policy models show great variation across national contexts and great stability over time.

On the other hand, however, a more structural argument is also made about the state. Because it is such a large organizational actor (with a considerably larger budget than the largest private corporations), the state's entry into an organizational field often directly restructures behavior. As a large, formal organization the state promotes the formalization of local, associational arrangements (Meyer, Scott and Strang 1987). Baron, Dobbin and Jennings (1986) emphasize that the state's effect on employment practices was less informed by a theory of personnel standards and more by wartime exigencies and the unanticipated impact of coordinated national production.

The professions form a second class of collective actors whose roles are emphasized within institutional accounts of change. In some contexts, of course, professionals play highly

conservative parts --- particularly where they defend their traditional privileges and autonomy (Starr 1982). But professionals also act as organizational reformers. Shenhav (1999) describes the efforts of industrial engineers like Taylor to rationalize production and systematize the practice of management, emphasizing their conflict with not only workers but managers as well.

The accounts of state-driven change described above rely heavily on the creative roles of the professions as well as the visible hand of government regulation. For example, Dobbin et al.'s (1993) analysis of the impact of EEO law on employment practices provides only half the story, since legislation imposes abstract requirements rather than concrete procedures that firms must follow. Lawyers and human resource professionals then elaborate responses that they argue will be acceptable to the courts and improve organizational productivity to boot. Edelman et al (1999) demonstrate that court decisions were actively influenced by the logics developed by these professionals.

Weaker professional projects may produce a 'dynamics without change' where new approaches gain substantial  followings but then lose credibility rather than becoming institutionalized. For example, the human relations and organizational development movements have promoted participatory management for several decades  while remaining a "loyal opposition" to the traditions of line management. Similarly, quality engineers have generated a series of change initiatives, like quality circles and TQM, that have gained prominence as dramatic techniques of organizational improvement without becoming highly institutionalized.

Cole (1989) underscores the importance of professional organization in a comparison of the spread of small group activities in the United States, Japan, and Sweden. Japanese quality engineers worked through a well-established professional organization (the Japanese Union of Scientists and Engineers) and won the support of key executives in major industries. Swedish work reforms were sponsored by powerful trade union and employer federations. By contrast, in the United States the carriers of small group efforts were independent consultants with no organizational base and weak ties to top-level managers and major unions. The result was rapid turnover among rival `quality fads' in the United States, a quite different result from substantial growth of small group activities in Sweden and their institutionalization in Japan.

*Challengers as Institutional Innovators*

While institutional theorists have generally emphasized the ability of the state and the professions to construct new institutions, others concerned with institutional change have pointed in the opposite direction: to marginal actors, to newcomers and outsiders, and to under-performers. It is here where the motivation for change is most palpable, where institutionalized "rules of the game" appear as constraints rather than the basis of securing a profit, and where actors have the least to lose.

Leblebici, Salancik, Copay, and King (1991) argue that system-transforming practices in radio broadcasting were developed by marginal actors. "New practices were introduced by…shady traders, small independent stations, renegade record producers, weaker networks, or enterprising advertising agencies" (1991: 358). For example, hucksters introduced on-air advertising that generated a market for radio stations rather than radio manufacturers, and small stations responded to the rise of television with format experimentation that led to the demise of the major network shows and the emergence of local deejays as radio personalities.

Stearns and Allan (1996) argue that 'challengers' rather than established elites were the innovators in all four of the major merger waves of the last century. Corporate raiders were cultural outsiders with little experience in Fortune 500 firms. And the techniques developed to finance takeovers of the big by the small were developed not by major financial institutions, but by peripheral traders like KKR and Michael Milken. Davis, Diekmann, and Tinsley (1994) point out that `bust-up' takeovers during the 1980s "were done to core players, not by them."

Weaker and more vulnerable organizations may be particularly likely to trade institutional scripts for new opportunities. Kraatz and Zajac (1996) find that smaller, financially insecure colleges have increasingly moved in recent years to add professional programs. Tolbert and Sine (1999) find that the same sorts of colleges have moved most rapidly in adding non-tenured, part-time, and temporary faculty. While professional programs and temporary employment conflict with traditional institutional ideals of a liberal education and the "academic freedom" protected by tenure, inconsistency is endurable when organizational survival is at stake.

*The Mobilization of Social Groups*

A third main class of "institutional entrepreneurs" are social groups with common interests and well developed organizational capacity. The role of such groups is pointed to directly by Stinchcombe, for whom an institution is "a structure in which powerful people are committed to

some value or interest" (1968: 107). Institutional change then arises when the values of the powerful change, when the distribution of power changes, or when groups mobilize to more effectively act upon their interests.

Marx provides the classic analysis of institutional change driven by conflict and mobilization. The groups who count are classes defined in oppositional terms: the capitalists who control the means of production and the proletariat who lack capital and thus need to sell their labor power. Marx's political analysis is then concerned with the conditions under which an analytically defined class will become conscious of itself as a group with common interests and a common enemy. While Marx compared the French peasantry to "a sack of potatoes" due to the weakness of relations transcending the family farm, he argued that the working class would become revolutionary as it became concentrated in factories owned by fewer and fewer capitalists.

Organizational analysts follow Marxist insights in studies of shifts from strict supervision to bureaucratic controls (Edwards 1979) on the shopfloor. Jacoby (1985) argues that the old system was defended by foreman, production managers, and plant superintendants who wanted to get product out cheaply and retain flexibility in dealing with the workforce. It was attacked by unions seeking to protect their members (as well as social reformers and personnel professionals motivated by a positive-sum view of labor relations). Shifts towards internal labor markets emerged out of the post-World War II settlement, a period where American union organization stood at an all-time high (Guillen 1994).

Elites may act as institutional entrepreneurs as well. Brint and Karabel (1991) point to the role of administrative leaders in initiating change in the niche occupied by American community colleges. Junior colleges were founded in the shadow of an established academic system, and were traditionally seen as `feeder schools' preparing students to transfer into four-year programs. Brint and Karabel describe junior college administrators as actively seeking a new, more distinctive, and less subordinate niche. They argue that elites identified vocational education for white-collar work as that niche and actively repositioned junior colleges prior to the softening labor market of the 1970s, which eroded student opposition and permitted substantial organizational change.

Greenwood and Hinings (1996; Hinings, Brown and Greenwood 1991) describe struggle between organizational coalitions over "organizational templates." For example, professional organizations can be structured as partnerships or corporations; public agencies can adopt a bureaucratic or a customer service logic; management-worker relations may be defined as solidary

and participatory or as oppositional. In an analysis reminiscent of Marxist accounts of revolutionary change, Hinings, Brown and Greenwood (1991) argue that institutional templates may change when an emerging coalition finds the existing template inimical to its interests, has a sense of itself as a mobilized group, and has an alternative to offer. They note the case of Arthur Andersen, whose management consulting division increased in size and revenue generating capacity but not in power. Consultants identified Arthur Andersen's partnership structure as marginalizing their position, and pushed to reorganize around a corporate model.

Attention to the way organizational leaders and coalitions craft organizational missions recalls the insights of the "old institutionalism" of Selznick. What is involved is more a marriage than a replay of these ideas, however. Rather than treating organizations as inventing and developing distinctive missions, recent work emphasizes choice between well-defined institutional frames and collective efforts. Greenwood and Hinings (1996) thus argue that organizational coalitions are thus struggling over which template to adopt from a larger institutional menu. And Brint and Karabel (1991) see community college leaders as moving collectively rather than individually towards vocational programs.

**Triggers of Institutional Change**

The above review suggests that there are not only change agents but also "triggering conditions" that bring these players onto the stage. These often take the form of a problem or crisis motivates a search for alternatives. For radio broadcasting this might be the advent of television; for health care it might be spiralling costs; for employment practices it might be wartime mobilization.

Triggering conditions are undertheorized within the institutional perspective. They appear as exogenous conditions that weaken institutional supports and precipitate efforts at reform or innovation. It is difficult even in principle to incorporate such conditions into an institutional theory of change, since crises should be less likely to arise or be recognized as such within successfully institutionalized domains. By attentding to triggering conditions, institutional accounts implicitly assume that existing practice is not institutionalized but instead primordial and unorganized.

Perhaps the most common argument about triggering conditions is that of performance failure: institutionalized practices are transformed or erode when they fail to deliver the goods. For

example, Kuhn (1962) argues that most science consists of puzzle solving within a dominant paradigm. Over time, however, anomalies appear that are resistant to satisfactory solution. Failure to resolve anomalies then leads toward paradigm change. For instance, efforts by medieval astronomers to predict planetary orbits within the Platonic system led to great improvement in astronomical observation and calculation. But these improvements only highlighted the anomalies that continued to appear as astronomers interpreted planetary movements as circular and geocentric. Growing dissatisfaction with Platonism laid the foundation for Copernicus and Kepler to successfully forward a heliocentric model of the solar system where planets followed elliptical orbits.

In organizational research, analyses of institutional reform from the top often start from performance failures that falsify established theories of effective action. Sine (2000) finds that the oil crisis of the 1970s motivated scrutiny of industry structure. Since the 1930s, the utility industry had been organized into regional monopolies, an approach legitimated by economic theories of increasing returns to scale. But heightened scrutiny led a variety of economists to make the case that utilities were not natural monopolies. Legislators then were able to draw on the expert literature to make the case for deregulation and to counter stake-holders within the industry.

Performance failure motivates other sorts of institutional innovators as well. Davis, Diekmann and Tinsley (1994) note that the `bust up' takeovers of the 1980s were preceded by a track record of relative economic failure. Since the 1960s, conglomerates were out-performed by randomly selected portfolios of companies operating in the same industry (Davis et al 1994: 55). By the 1980s, the managers who had built conglomerates were seen as having made a "colossal mistake" as public discussions of failure spurred takeover artists to acquire and bust up corporations.

Performance failure provides only one trigger for institutional change, however (see Oliver 1992 for a detailed analysis of sources of deinstitutionalization). For example, Haveman and Rao (1994) relate the life chances of institutional models to broad social structural change. Early thrifts were built around principles of mutuality and individual effort that worked well given the strength and stability of local communities. After the turn of the century, however, these plans were increasingly displaced by alternative schemes that added bureaucratic roles, alternative forms of membership, and freer entry and exit. Haveman and Rao describe this shift as flowing from the

modernization of American society, as immigration and urbanization turned an America of small towns and close-knit groups into a society of strangers.

**Legitimating change**

What role do cultural materials play in institutional change? Interpretive schemes may delegitimate existing arrangements as inefficient, dysfunctional, or backward, and simultaneously promote an alternative practice as optimal and progressive. In addition to social structural change, for example, Haveman and Rao (1997) suggest that the Progressivist emphasis on predictability and expertise supplied ideological supports for new types of thrifts.

Strang and Bradburn (2001) emphasize the power of market models in the construction of health maintenance organizations. Prepaid plans had historically been interpreted as steps toward direct consumer control or as enhanced teamwork among physicians. But the reframing of HMOs as economizing vehicles that "got the incentives right" proved a powerful rhetorical weapon in legislative and regulatory decision-making. Close examination of the legislative process (Brown 1983) indicates how powerfully the new argument for HMOs dominated debate.

Davis, Diekmann and Tinsley (1994) point to shifting organizational understandings in explaining the deinstitutionalization of the conglomerate in the 1980s. While arguing that takeovers were conducted by outsiders in response to performance failure, Davis et al. push the analysis one step further to ask why elites were unable to defend themselves. They argue that the conglomerate was made vulnerable by a re-conceptualization of the firm as a `nexus of contracts.' What might have been resisted as the ghoulish dismembering of the nation's largest corporations was instead understood as the belated but necessary restructuring of corporate monstrosities.

Of course, existing institutional arrangements possess cultural backing as well. Davis et al (1994) note that the conglomerate had been theorized via a "firm as portfolio" model that touted the ability of top management teams to make discerning investment decisions. Strang and Bradburn describe the health sector as organized around a model of `professional sovereignty' vested in the expertise and integrity of the physician.

But the frames that legitimate dominant practices can lose credibility. Performance failure can accomplish this discrediting, most powerfully when failures occur that are anomalous and inexplicable within the frame. Frames also lose credibility when they evolve in internally

inconsistent or outlandish ways. Davis et al (1994) explain that the `firm as portfolio' model strained deeper understandings of the firm as an organic collectivity. If firms were like portfolios consisting of manifestly unrelated activities, then they could be broken up into their independent parts. And conversely, if `portfolios with smokestacks' were not organic wholes, then perhaps the fundamental notion of firms as naturally bounded collectivities was misstaken. Davis et al. thus argue that conglomerates themselves helped sponsor the `nexus of contracts' model, and its own evolution into ideas about core competence, virtual firms, and even 'Moebius strip organizations.'

Attention to cultural sources of change emphasizes that institutional arguments need not assume "over-socialized" actors. Friedland and Alford (1991) argue that different `societal spheres' embody different characteristic logics: that of self-interested action in the economic sphere, representation and democracy in the political sphere, love and commitment in the sphere of the family, and so on. Institutional entrpreneurs are then able to legitimate new projects by importing the logic of other spheres. Radical feminists can re-interpret the family within a frame of individual rights to argue for a household contract, while health care analysts can re-interpret doctors as profit-maximizers within a `health care industry' that should be treated like any other market.

We can see the impact of compelling re-interpretations of organizational problems by observing what happens in their absence. In one such case, Tolbert and Sine (1999) examine the deinstitutionalization of tenure-based university employment. While tenure is fundamental to much university employment and supported by the efforts of the American Association of University Professors (AAUP), increased cost pressures in the 1970s resulted in heavy scrutiny of all wage costs. Universities responded in various ways, with a small number doing away with tenure altogether (or seeking to do so). A much more important but less visible response, however, was to incrementally increase the number of part-time, temporary, and adjunct positions, so that rules about tenure remained unchanged but came to cover fewer positions.

When institutional reform is culturally foreclosed, a characteristic form of deinstitutionalization thus tends to occur. Institutions are not transformed but adulterated through the introduction of new, opposing practices. Symbolic values and behavior are decoupled, so organizations celebrate traditional practices while quietly pursuing others as well. Institutional adulteration also diffuses in a particular way: divergence from institutional rules occurs in peripheral and vulnerable organizations rather than central and leading ones, and adulteration tends not to be contagious. Finally, adulteration can even be seen to protect and preserve the (now more

delimited) institution. For example, tenure continues to be feasible for some, in part, because poorly paid temporary and part-time faculty can also be hired.

**Challenges and Emerging Directions**

*Measurement*

We note two measurement challenges for institutional research in general and the study of institutional change in particular. First, better methods of assessing the *abandonment* and *transformation* of organizational practices are needed. Most research focuses on the *initial adoption* of novel practices, which are generally positive acts recorded by the state or relevant associations. By contrast, abandonment is frequently a non-event where material support for a practice is quietly withdrawn. Further, organizations often modify practices in ways that make cross-sectional interpretation hazardous. New data gathering approaches that identify "organizational histories" linking adoptions, abandonments, and transformations are needed (see Easton and Jarrell 1998 for an exemplary study in this direction).

A second challenge is to better assess legitimacy. Ecological models of density dependence have stimulated sharp criticism is culturally and relationally uninformed. For example, Zucker (1989) points out that protesters throw blood on fur coats not because they are unused to seeing mink, but because they are concerned with animal cruelty and loss of ecological diversity. Baum and Powell (1995) argue for direct inspection of the media communications involved in promoting new practices and industries. Hannan and Carroll note in reply the advantages of generality and parsimony.

This debate helps generate two lines of research. First, it promotes efforts to devise richer direct measures of legitimacy. For example, Ruef and Scott (1998) examine different forms of hospital accreditation and how these affect organizational survival. Second, the generality of density dependence studies can be exploited by probing variation across organizational populations. If critics like Zucker are right, some populations are "born legitimate" while others face a heavy struggle against powerful opponents and entrenched public opinion. Analysis of patterns of density dependence across different organizational populations can probe variations in legitimacy and their sources in the relationship between the population and its cultural and political environment.

*Research Designs*

Institutional research can best develop understanding of change by examining contexts where instutionalization is incomplete or collapsing, where multiple institutional frames are in competition, or where institutional forces point in different directions. For example, many efforts at organizational change appeal to fundamental cultural values, like "scientific management," "workplace democracy," and "personal development." But the actors who promote these ideas and whose interests are directly bound up in their acceptance are often located outside the organization altogether (consultants and researchers) or in oppositional or peripheral organizational roles (unions, quality control engineers, personnel/human resource professionals). These settings provide an opportunity to examine under what conditions cultural backing can be translated into institutional change, and to observe what happens when it is not.

Much recent work examines cases where institutions are contested. For example, Rao (1998) portrays competition between alternative ways of framing consumer watch-dog groups. Consumer Reports was formed around a technocratic ideal, treating the consumer as a rational actor in need of product evaluation by neutral scientists. By contrast, Consumers Union was formed around notions of working-class solidarity, where the watch-dog organization reported on consumer goods but also on labor practices and the health of working communities. Consumer Reports was able to dominate the competition, leading the Consumers Union to reframe its agenda towards a more neutral, scientific role.

A second direction for institutional research is towards longer-term analyses of the rise and fall of institutions. Analyses over short time periods tend to portray institutions as unchanging, and even those that examine a key turning point can argue that the "ancien regime" was not quite institutionalized enough. But work that describes the rise and fall of institutions (more than than the fall and rise) must address endogenous sources of change. Much historically informed scholarship provides exemplars here, as do expansive organizational analyses like Fligstein (1990) and Guillen (1994). For example, Starr's (1982) magisterial analysis of American health system documents the rise of the medical profession, the consequent ability of physicians to ward off efforts at national health care and to expand the financial base of the system, and the "coming of the corporation" via for-profit hospital chains, HMOs, and managed care. The continuities in Starr's account allow one to see how physician dominance and organizational growth ultimately undercut professional claims

to autonomy, leading the health care field to move from an institutional structure of professional sovereignty to one centered on a health care market.

*Theoretical challenges: making it dynamic*

The most important missing ingredient in analyses of institutional is an endogenous dynamic. States intervene in organizational affairs due to shifts in the political arena (like the Civil Rights movement and its roots in migration patterns and party realignments) that are not produced by firms or personnel departments. Colleges respond to shifting student career orientations that are not produced by the schools themselves. These arguments point to important drivers of change, but are theoretically incomplete because causal loops are not closed. We note several lines of analysis that seek to redress this situation.

John Meyer and colleagues (Meyer and Rowan 1977; Meyer, Boli and Thomas 1987) offer an endogenous dynamic of rationalization. They begin from a view of Western culture as defining individuals as moral, rational agents whose actions should realize progress and equality. This cultural project underwrites the construction of professions, state agencies, and social reformers. But as more activities come under the inspection of expert "others" (Meyer and Jepperson 2000), more inequities and opportunities for rationalization are discovered. These discoveries support further growth in professional "others," who identify even more problems to be rectified. Rationalization is here a positive feedback system, where cultural attention to "social problems" produces reformers and reformers produce social problems.

This argument can be reworked to identify more contradictory dynamics, where newly authorized actors turn out to have goals that are different from those of their creators. DiMaggio (1991) argues that while social elites supported professionalization as part of building musuems that would cater to their vision, museum professionals then gravitated to a reform movement aimed at educating the general public. Museum professionals were deferential to the desires of upper class trustees and donors when wearing "organizational hats," but as members of professional associations they promoted branch museums and a more inclusive model of the museum.

A second challenge is whether ideas about the crystallization of institutions can be "run backward" to model decay as well as growth. Zucker (1988) suggests attention to entropy, where laboriously constructed institutions are lost through transmission errors and disuse. Abrahamson (1996; Abrahamson and Fairchild 1999) draw attention to management fashions, arguing that

popularity provides no guarantees in sectors oriented to rhetorics of progress and novelty. Strang and Macy (1999) find that weak assumptions about abandonment lead imitiative processes of the type described by DiMaggio and Powell (1983) to produce faddish cycles rather than institutional stability.

Other lines of argument see "completed institutions" as particularly unstable. If all organizations adopt the same model or practice, they tend to draw on the same, increasingly scarce resources. Competitive pressure will thus intensify, and organizations will perceive less opportunity for extraordinary success. Leblebici et al (1991) argue that it is under these conditions that core organizations begin to adopt the innovations developed on the periphery, provoking large scale institutional change. Greenwood and Hinings (1996) suggest that these are also the conditions under which risk-seeking organizations will embrace new institutional templates. While new approaches may provide lower average returns than institutionalized templates, they offer the only chance of outdistancing the field.

Finally, institutional crisis and change can be endogenized by treating the opposing groups as constituting each other. Marx's model of class struggle is an exemplar here. At one level his model involves rivalry between differing institutions, each carried by a social class (so the bourgeoisie carries capitalism and the working class, socialism). But these classes are not groups that happen to come into contact --- they construct each other, and their conflict is fundamental to their identities. Further, the resolution of this conflict is seen by Marx as occurring at a point of institutional completion. Socialism becomes imminent as capitalism concentrates ownership of the means of production, driving petty capitalists into the ranks of the workers and promoting the mobilization of the proletariat. In several senses, Marx thus portrays an endogenous dynamic of institutional change.

**Conclusion**

The study of substantial institutional change is a common subject of institutional research, and empirical research develops real insights into relevant change agents, triggering conditions, and legitimating models. But institutional accounts of change are not theories because they point to proximate conditions rather than endogenous dynamics, and do not address institutional change becasue they treat established arrangements as uninstitutionalized. Much recent conceptual and

empirical work addresses these limitations by attending to the variety of institutional resources that actors can access and to the creative role of institutional entrepreneurship.

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| Reference | Key Concepts | Key Variables | Key Predictions and Findings | Key Contribution |
|---|---|---|---|---|
| Cole 1989 | Comparative diffusion across nations | Strength of professional associations; roles of management and labor | Institutionalization of new practice requires strong professional infrastructure and links to powerful actors | Organizational analysis of professions |
| Davis and Greve 1997 | Comparative diffusion across practices | Characteristics of innovation adopters and their social networks | Legitimate innovations diffuse by weaker ties than do illegitimate innovations | Links cognitive and relational treatments of legitimacy |
| Davis, Diekmann & Tinsley 1994 | Demise of a dominant corporate form | Characteristics of acquired and acquiring firms | Conglomerates acquired by outsiders due to economic inefficiency; lost legitimacy due to changing conceptions of the firm | Demonstrates joint role of performance failure and cultural change in deinstitutionalizatio |
| DiMaggio and Powell 1983 | Institutional isomorphism in organizational field | Coercive, mimetic, and normative processes | Organizational fields tend to become isomorphic | Details general processes that promote institutionalization |
| Dobbin et al 1993; Edelman et al 1999 | Adoption of formal organizational policies | Policies creating internal labor markets; period effects and proximity to state sector; legal logics | Unintended impact of state policy on organizational structure | Reciprocal interpretive activity of state and professions |
| Fligstein 1990 | Corporate conceptions of control | Regulatory regimes; organizational background of CEOs | Corporations shift to new models of control due principally to change in state policy | Develops historical typology of corporate structures and demonstrates link to  state policy |
| Hirsch 1986 | Institutionalization of a deviant innovation | Images employed in describing takeovers; frequency of takeovers over time | Intertwined changes in social action (who conducts takeovers) and collective representations | Provides powerful description of framing as a collective activity, its functions and lin to action |
| Haveman and Rao | Institutions as | Typology of thrifts; | Organizational | Builds connections |

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|---|---|---|---|---|
| 1998 | theories of moral sentiments | founding and failure rates | populations are linked to social structural conditions and broader intellectual movements | between ecological and institutional arguments |
| Leblebici, Salancik, Copay and King 1991 | Industry systems as ways of solving public goods problems; marginal and central actors | Periodization of radio systems; identity of innovators; precipitants of cystem change | Movement between radio broadcasting systems occurs at points of institutional crisis or completion; innovators are marginals | Develops endogenous account of institutional change |
| Meyer and Rowan 1977 | Institutional rules; organizational myth and ceremony | Formal vs behavioral structure; institutional rules and environment | Institutional rules spur formation and elaboration of rationalized organizations | Develops institutional explanation for organizations and organizational structure |