Chapter 5

INSTITUTIONAL ACCOUNTS OF ORGANIZATIONS AS A FORM OF STRUCTURAL ANALYSIS

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The "new institutionalism" in organizational analysis is one of the most active contemporary lines of research on organizations. This school may be described as providing a structural account, though there is a certain ambiguity in this claim. This paper seeks to map the sorts of structural analysis generated in new institutional analyses of organizations.

PRELIMINARIES

Conventional wisdom distinguishes two broad streams of institutional approaches to organizations: an early line of work identified particularly with Selznick (1949), and a recent line of work identified with seminal theoretical contributions by Meyer and Rowan (1977) and DiMaggio and Powell (1983). These two streams of work stand in a fairly complex relation to each other. One of the most important differences between them, however, is that the new institutionalism is far more structural. That is, greater attention is paid to the way action is situated within larger structures of social relations and social meanings.

The reference to "meanings" flags the ambiguity in the depiction of institutional analysis as a form of structural inquiry. Institutional arguments routinely appeal to a larger environment as causally efficacious. But this environment is conceived as a culture as much or more than as a set of network relations. For example, institutional effects often refer to taken-for-granted or publicly contested models of action. And institutional accounts are sometimes referred to as explicit alternatives to relational arguments (e.g., Strang and Meyer 1993).

For present purposes, it seems most useful to regard arguments about intersubjective meanings and arguments about relational networks as both "structural." To define culture out of "structural analysis" would take away much of what is interesting and important in institutional analysis. And very often, the most compelling institutional arguments are ones that seek to connect cultural and relational sorts of contextual effects.

The literature contains a variety of excellent reviews of the new institutional analysis of organizations. These include Scott (1987), Zucker (1987), DiMaggio (1988), and the introductory and theoretical chapters in Powell and DiMaggio (1991).[1] The present essay also reviews the literature, but does so with a focus on modes of structural explanation within institutional analysis. In doing so, it primarily records main findings and lines of argument, rather than suggesting profitable new questions or changes in direction.

And Then There Was Meyer and Rowan

Contemporary institutional analysis of organizations may be said to begin with a paper by John Meyer and Brian Rowan, "Institutionalized Organizations: Formal Structure as Myth and Ceremony" (1977). The paper broke with prevailing contingency theories of organizations, which explained organizational structures and routines as efficient responses to task characteristics and environmental constraints related to task performance. Meyer and Rowan (1977) argued that organizations could be understood as cultural constructions, erected to link activities to shared understandings of what is effective and rational. These constructions were in large part symbolic, since the messy character of actual work led real activities to be structurally decoupled from the ceremonial facades that house them.

The second seminal statement of the institutional position was provided by DiMaggio and Powell's "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields" (1983). DiMaggio and Powell asked not "why are there organizations?" (as had Meyer and Rowan), but "why do organizations look so alike?" They answered that dense patterns of interaction within "organizational fields" promoted coercive, mimetic, and normative processes of homogenization across organizational boundaries. In formulating these notions, DiMaggio

and Powell laid the foundation for a more explicitly relational and political form of institutional argument.

These two papers provoked (as well as summarized) a "new institutionalism" within the study of organizations. Institutional arguments about organizations are quite clearly part of the sociological tradition, in their attention to context, their concern with cultural understandings, and their skeptical stance toward naively rationalistic accounts. They differ substantially from the "new institutionalisms" of economics and political science, which typically focus on the efficiency properties of institutions in coordinating behavior.[2]

BASIC CONCEPTS

What are Institutions?

It is useful to begin with an inspection of the core concepts of institutional analysis: notions of the "institution" as a distinctive type of social product, and of institutionalization as a central social process. The organizational literature relies heavily on these ideas, and an overview of their uses will help to introduce the arguments and applications developed next.

Unfortunately, there are at least as many definitions of "institution" as there are analysts interested in the concept, and probably a good many more. Scott (1987) and Zucker (1987) survey different approaches in very useful and largely compatible ways. Scott (1987) notes four approaches, distinguishing Selznick's notion that social practices become invested with value, Berger and Luckmann's (1967) notion that practices become taken-for-granted, Meyer's discussion of cultural rules, and Friedland and Alford's ([1987] 1991) attention to the opposing cultural logics of different societal spheres. Zucker (1987) distinguishes notions of "environments as institutions" from notions of "organizations as institutions."

The problem is that the term "institution" is richly connotative rather than denotative. In most analytic usage, I would suggest that two main ideas are involved. First, a social practice or arrangement is described as institutional when it is embedded in complex webs of other practices or actor imperatives that give it force.[3] We speak of "institutionalized racism" to indicate not the personal prejudices of individuals, but the routine cultural dependencies of SAT scores and the redlining practices of banks. We speak of public education as "institutionalized" because of the way it is built into the structure of individual careers and self-conceptions, and into the fabric of labor markets and corporate hiring practices.

Second, the term institution is invoked to note the way a practice is socially invested with deep or widely accepted cultural meanings. Public education is "institutionalized" in this sense because it is grounded in broad and complex

understandings of the value of the personally enriched individual. As Douglas (1986, pp. 46-47) puts it: "A convention is institutionalized when, in reply to the question, 'Why do you do it like this?' although the first answer may be framed in terms of mutual convenience, in response to further questioning the final answer refers to the way the planets are fixed in the sky or the way plants or humans or animals naturally behave."

As the example of education suggests, in most contexts these two connotations are assumed to obtain jointly. Thus the acts of powerful individuals or organizations are not described as institutional when they are culturally uninformed (in contexts where ideals of public service dominate, read "narrowly self-interested"). Nor would a powerful and compelling idea that is nowhere practiced be described as an institution. Rather than aiming at the radical separation of these two connotations, much discussion seeks to weave them together in nuanced ways.

Given a general sense of usage, some grammar becomes possible (also see Jepperson 1991). An institution is a social arrangement or practice that is strongly embedded in other arrangements or practices and that comes armed with a cultural analysis and justification. Institutionalization is the process of becoming linked to other arrangements or practices, and of generating and publicizing a cultural interpretation. An institutional effect arises when causal efficacy hinges on attachment to other arrangements or to normative or cognitive processes.[4]

A variety of lines of argument can flow from these sorts of concerns. One can treat institutions as massive and highly stable structures, and use them to explain uniformities and biases at a point in time and stability in arrangements over time. Analyses of local action can be made conditional on the larger institutional structures within which they occur. Or one can explore the process of institutionalization; the way actors come to understand themselves through what they do, the way practices are placed on the agenda of powerful actors, and the way complex cultural understandings are forged and precariously upheld in the face of contestation.

This distinction between institutions as cause and institutions as product is often connected to contrasts between property and process conceptions of institutions, and between "macro" and "micro" institutionalisms. (Distinctions drawn by both Scott 1987 and Zucker 1987 hinge most centrally on this composite axis.) The great majority of "new institutional" analyses of organizations take institutions as given, macroscopic structures whose consequences are of central interest (see Zucker 1983 for a more microscopic and processual approach). This paper thus addresses primarily the effects of institutions on organizations, though it also considers arguments about the construction of institutions. The latter arguments may or may not be institutional ones.

What are Organizations?

It is worth considering how the "organization" is theoretically understood within the institutional tradition (the ideas noted here are discussed in detail in Strang 1993). The classics of organizational analysis (see especially Weber 1968, pp. 48-52, 956-958) developed conceptions of organizations as distinctive sorts of social units, and American organizational theory remains substantially true to the Weberian vision of organizations as tightly controlled and densely coordinated action systems.[5] But organizational research has always been slavishly conventional in its practical ontology, treating as organizations those entities that the larger society defines as organizations. Researchers do so even though it is quite unclear whether social units recognized in the Yellow Pages or by the state of Delaware have internally complex structures or are imperatively coordinated.

Institutional analysts also work with entries in the Yellow Pages, but they tend to think about these "organizations" somewhat differently. Meyer (1983, p. 265) defines organizations as rationalized cultural accounts: "Formal organization is the depiction of a structure of roles, activities, and interrelationships in an explicit and unified way." James Coleman (1974, 1990) enunciates an alternative institutional view, treating the organization as part constructed actor, part accounting device that facilitates action, simplifies relational calculations, and permits long and reproducible strands of principal-agent relations to develop.

Defining the organization as a cultural construction leads the institutional school to emphasize formalization and rationalization, rather than complexity and hierarchy, as its foundational characteristics. This fact helps one understand the persistent link drawn in the institutional literature between "rationalizing" projects and the prevalence of organizations. It also helps one parse the otherwise odd notion of the disorganized (or "decoupled") organization, which is frequently argued to enjoy favorable life chances.

What are Organizational Environments?

Institutional analyses typically situate the organization under inquiry within some broad context or environment whose structure is then investigated. It is useful to consider ideas about how this broad context should be defined, since it often delimits the subsequent search for structural or external influences.

The most common strategy is to regard the relevant context as defined by the type of activity being engaged in. DiMaggio and Powell (1983, p. 148) define "organizational fields" as "those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services and products." In similar fashion, Scott and Meyer (1983) propose

"societal sectors" as appropriate sites of external causal processes: these sectors again include organizations producing similar things, their exchange partners, and relevant regulatory bodies.

The characteristic emphases of institutional accounts are prefigured in the way organizational environments are delimited. First, there is considerable attention to interaction between "similar" organizations. Dominance and communication structures within an industry may be delineated via network analysis (DiMaggio 1986), or collective responses to outside interests may be traced (Torres 1988). Second, there is sustained attention to the way organizations are embedded in a range of exchange and authority relationships with external actors. Of particular note here are relationships to the state and to professionalized occupations. It is in fact rare for institutional analyses to dwell on relationships between buyers and sellers.

And third, it is important that the "organizational field" and "societal sector" define groupings that are cognitively accessible to both the actors within them and the larger society. DiMaggio and Powell (1983, p. 148) do not take any densely connected network of interacting organizations to be a "field"; they instead insist that this network is located within a *"recognized* area of *institutional* life" [my italics]. This insistence has a number of consequences. Recognized, institutionalized fields are highly susceptible to collective action and conscious design. And organizations within such fields are aware of each other even when no direct exchange relations connect them.

While notions of organizational fields and societal sectors help delimit and direct some inquiry, much institutional analysis violates their boundaries. In particular, institutional arguments often point to homogenizing forces that impinge on all formal organizations, rather than on those operating within particular sectors. Baron, Dobbin, and Jennings's (1986) analysis of employment practices uses institutional arguments to account for homogeneity across industries, while technical and efficiency arguments explain homogeneity within industries.

SOME MAIN FINDINGS OF INSTITUTIONAL ANALYSIS

I begin by noting a few ways in which the theoretical obsessions of the institutional school have been translated into substantial empirical findings. Detailed here are demonstrations that institutionalized practices impact organizations in distinctive ways, and that states and professionalized occupations have big effects on organizations.

Evidence for Institutionalization

A core claim of the institutional school is that the institutionalization of something has large and distinctive effects on what actors do. Works by Zucker and Tolbert are especially effective in documenting this claim.

Zucker (1977) performed a series of experiments on visual perception that anchor both the effects of institutionalization and the status of the "organization" as an institutionalized social fact. Zucker demonstrated that the transmission, maintenance, and stability of visual perceptions were stronger in experimental conditions where pairs of people were told they formed "organizations" than when they were told they formed "groups." Perceptions were even more stable where one member of the group was given the seemingly innocuous title of "Light Operator." Building on the sociological tenet that action is conditioned by the "definition of the situation," these results indicate that "organization" carries highly institutionalized meanings that affect and stabilize behavior.

In related fashion, Tolbert (1985) examined how institutionalized identities mediate between empirical resource flows and organizational structures. The study compared the administrative offices that public and private colleges construct to obtain public and private funds. Tolbert found that "resource dependence" (the alignment of organizational structure to external resources) only operates *outside* institutionalized domains. For example, in private colleges the number of administrative offices increases with the level of public funds received. But the likelihood that a private college will have a "Director of Alumni Relations" does not depend on the level of private giving. And the likelihood that a public college will have a "Director of Institutional Research" does not depend on how much grant money it receives.[6]

These studies document two major findings. The institutionalization of an activity leads it to be performed with increased frequency and greater retention. And institutionalization produces behavior patterns that are disconnected from the characteristics of actors and the strategic opportunities they face. It is where an institutionalized line of action is absent that local conditions affect what organizations do.

Big Effects of States and Professions

The main empirical contribution of institutional analyses of organization is the discovery that the state and the professions matter a lot. Until the 1970s, the great majority of organizational analysis focused theoretical attention on the internal sources of organizational structure and routine. Population ecology introduced closer attention to how resource availability affects organizations, and to consequent dynamics of competition among similar organizations. Resource dependence analyses focused attention on linkages across organizations that exchange with each other. But it is the institutional tradition that paid sustained attention to the ways in which organizations are molded by external "authorities" of various types.

There is far too much work documenting various effects of the state and the professions to summarize here. In fact, nearly every piece of contemporary

institutional research discusses these sorts of effects, and much of this work is encountered below. This section thus briefly surveys different sorts of findings.

One result of particular interest is that organizations possessing various linkages to the state tend to enjoy better life chances. In a case study of two neighborhood development organizations, Wiewel and Hunter (1985) note that ties to more established organizations seem to outweigh the disadvantages of operating in resource-poor environments. Singh, Tucker, and House (1986) find that the possession of various state-sponsored credentials decreases rates of organizational mortality in a sample of childcare organizations. Baum and Oliver (1992) extend this to show that when a population of firms develops a rich set of relations to various state authorities, all members of the population (and not only those with licenses or other ties to the state) benefit.

Historical and comparative research into the origins of a number of organizational practices also show large effects of the state. Baron, Dobbin, and Jennings (1986) show that formal personnel systems developed in the United States as a product of government efforts to rationalize the war effort. Hamilton and Biggart (1988) trace differences in organizational form and industry structure in Japan, South Korea, and Taiwan to different strategies of legitimation constructed by state actors. Baron, Mittman, and Newman (1991) find progress towards gender integration in the workplace is importantly a function of vulnerability to state mandates.

Recent discussion of the state often focuses on the interplay between organizations and the courts. This work suggests an active role for organizations in working out responses to vague public mandates, which are then tested in the legal arena. Edelman (1992) shows how organizations responded to the unclear content of federal Equal Employment Opportunity/ Affirmative Action (EEO/AA) standards by generating visible symbols of attentiveness (AA rules and offices) that the courts ratified as good faith efforts at equalizing opportunity. Dobbin, Sutton, Meyer, and Scott (1993) argue that personnel professionals formalized job descriptions, performance evaluations, and salary classifications as a strategy for protecting organizations against EEO lawsuits.

The professions are seen within institutional work as a second great engine of organizational change (DiMaggio and Powell 1983). First, professional "projects" and "codes" affect organizations because the professions inculcate shared perceptions and standard modes of reasoning. For example, Palmer, Jennings, and Zhou (1993) find that organizations led by CEOs with business school degrees were quicker to adopt a multi-divisional form.

Second, professional associations, credentialling bodies, and standard setting offices impinge on organizations as external actors carrying substantial authority. Mezias (1990) emphasizes the central role of boards of accounting standards in shaping tax reporting practices. DiMaggio (1991) describes an

attempt at museum reform engineered by professional elites mobilized at the level of the organizational field (working through national commissions) rather than within the organization.

Much work combines effects of the professions and the state, often by viewing professionals as well positioned to gain influence over the setting of state policy. Torres (1988) notes how the political power of funeral directors enabled them to control accreditation and state policy in ways that blocked the development of new organizational forms (mortuary chains and "direct-deposit" burial) that threatened professional status. Strang and Uden-Holman (forthcoming) discuss the way physicians used occupational resources and political power to block the construction of health maintenance organizations.

THE ELABORATION OF INSTITUTIONAL ARGUMENTS

The core insights of the institutional school have been elaborated and extended in several directions. Four are stressed here. These are: specification of the organizational structure of organizational environments; specification of the cultural structure of organizations and organizational environments; models of diffusion processes across organizations; and analyses of how institutions are formed. Finally, I briefly describe efforts to broaden the scope and import of institutional arguments.

The Organizational Structure of the Organization's Environment

One rather structural way to describe an organizational environment is in terms of the number and types of relevant actors it contains. Institutional arguments often focus on these modes of accounting, though in a distinctive fashion. Rather than asking about the simple number of relevant actors, institutional accounts generally ask whether environmental agents are unified or fragmented. And much attention is paid to whether the actors within the organization's environment are themselves formal organizations.

Fragmented and Unified Environments

A unified environment is one where the organization faces a few sets of connected and interlocking constraints (and related opportunities). A fragmented environment is one where a variety of disconnected, and potentially conflicting, constraints and opportunities are present. These dimensions differ from the number of relevant "actors" because a single environmental actor may pursue multiple disconnected goals (as may a single focal organization), and because multiple actors may coordinate their behavior.

The general consequence of institutional fragmentation is greater organizational complexity at lower levels (Meyer and Scott 1983). More

authorities provide more opportunities for more organizations to be founded and survive, and for more organizational forms too. More inter-organizational coordination mechanisms appear, as organizations share information and design collective responses. And environmental fragmentation also induces fragmentation and complexity within the organization, which elaborates its administrative structure to map onto the complex array of external constraints and opportunities that it faces.

Much research by Meyer and Scott and their students explores these ideas, particularly within the context of public education. The bulk of this work focuses on the bewilderingly complex array of federal policy initiatives in public schooling.[7] Fragmented federal efforts stood in sharp contrast to relatively unitary state departments of education, which typically provided local schools and districts with block grants for general expenditures.

Field observation and qualitative analysis suggests that the "fragmented centralization" induced by a growing federal role generated "isomorphic" complexity in local educational administration (Meyer and Scott 1983). Meyer, Scott, and Strang (1987) reported perhaps the most explicit test of the institutional argument. Federal funding was shown to translate into many administrative positions and high administrative expenditures in school districts, and state dollars into few positions and low expenditures (with local funds having intermediate effects). Differences in revenue sources had no impact on numbers of teachers or instructional expenditures, supporting the notion that institutional effects are mostly absorbed by administrative "boundary spanners" and are decoupled from the actual work of the organization.

Carroll, Goodstein, and Gyenes (1988) asked whether parallel relationships appear in a quite different organizational environment, that of agricultural organizations under state socialism. They find that populations of agricultural cooperatives in Hungary are larger, more competitive, and more densely interconnected where more state authorities oversee them. In the Hungarian case, however, external fragmentation is associated with small administrative components within the organization. This suggests the sensitivity of the above arguments to the specific mechanisms of external influence. Hungarian authorities may make decisions for the firms they oversee, while the American government offers money to school districts in return for complex forms of compliance.

Environmental Formalization Increases Organizational Formalization

Environmental actors vary not only in number and variety, but in type. One central interest within much institutional research is the contrast between environments composed of formal organizations and environments made up of other kinds of actors (such as individual people, social movements, and temporary coalitions).

A formalized environment is expected to promote the construction of increasingly formalized organizations. Thus Meyer, Scott, and Strang (1987) argue that while many actors and many interests arise at the local educational level as well as at the federal one, the latter are highly formal and organized and the former are not. Maintaining adequate relations with federal agencies involves constructing appropriate formal roles and activities within the organization that fit federal reporting and budgetary requirements. By contrast, the maintenance of adequate relations to local actors and interests are facilitated not by bureaucratization, but by the maintenance of personal and informal relationships to concerned actors.

Strang (1987) argues that the simultaneous unification and formalization of organizational environments prompts bureaucratic expansion. He finds that a growing state educational role and diminishing local control spurred the consolidation of the nation's community school districts and the rise of professionalized administrative structures at the district level. State government agencies pushed for large-scale consolidation because they were the carriers of a Weberian creed of modern administrative efficiency, and because from a central perspective, tiny informally organized units were impenetrable.

Cultural Analyses of Organizations and Environments

While early accounts of institutional effects pointed to generic process by which practices come to be valued or taken-for-granted, the turn to larger "institutional environments" permits a closer specification of cultural effects. As Scott (1987, p. 498) notes, "with less attention devoted to process, more can be given to the nature of the belief systems themselves." Institutional analyses have thus come to focus increasing attention on historically specific understandings or models that seem to play a privileged role in the design of action. Much of this work benefits from Swidler's (1986) conception of culture as a "toolkit for action" that provides actors with complex and communicable strategies for living.

The Cultural Underpinnings of the Organization

Fligstein (1990) and Barley and Kunda (1992) each specify the historically changing features of standard (American) conceptions of the "organization." Fligstein maps shifts in dominant models of organizational strategy and structure among the largest U.S. corporations over the last century. He describes four "conceptions of control": direct control (where competitors are driven out of the market, secretly purchased, or colluded with), manufacturing control (where the firm is organizationally fashioned for efficient production), sales and marketing control (where the firm seeks to dominate given markets), and finance control (where the firm is seen as a collection of assets to be financially manipulated).

Each conception of control is carried by actors whose experiences it crystallizes and whose skills it makes critical. The manufacturing conception is carried by executives with experience in production, the sales and marketing conception by executives with a sales background, and the finance conception by executives trained in accounting and investment. Each conception also implies particular forms of organizational structure: for example, the sales and marketing model helped generate the multidivisional form. Fligstein describes historical shifts in conceptions of control that equilibrate at strategies enacted by dominant organizations, which then define the scope and form of subsequent market competition.

Barley and Kunda (1992) examine shifts over time in the ideologies of managerial discourse. They locate two main frameworks that recur cyclically over time. In "rationalist" rhetorics, organizations are portrayed as machines that can be technically designed for optimal efficiency, and individuals within organizations as calculating utility maximizers concerned with paychecks. In "normative" rhetorics, organizations are seen as social communities whose members are joined by multiplex ties and deep senses of personal identity. The innovations of managers and the work of organizational analysts are both strongly shaped by whichever rhetoric is dominant at a given time.[8]

The Cultural Underpinnings of the State

Work demonstrating large effects of state policy on organizations engenders interest in the cultural understandings that underlie the policies that states pursue. Dobbin (1994) inquires into the cultural models that inform the 19th century railway policy of the United States, France, and Great Britain. He notes that each state deployed a highly consistent but idiosyncratic strategy towards creating railroad companies, the railway market, and regulatory structures. National strategies remained quite stable over time, suggesting that they do not rest on differences in technology or industry age. Dobbin argues instead that each state applied a model that corresponded to core understandings of what institutional structures are most effective. At every opportunity, the French state expanded public coordination of the railways, the British supported the prerogatives of entrepreneurs, and the Americans reinforced market structures. In fact, American policy established markets while often sacrificing entrepreneurs, while the British supported entrepreneurs while destroying markets.

Some institutional analysis explores a broader notion of the state than one identified with the actions of specific regulatory bodies. In particular, Meyer and collaborators examine forms of the modern "polity," a term they employ to designate "the system of rules conferring societal authority in pursuit of collective ends" (Jepperson and Meyer 1991, p. 206; also see Meyer 1983; Boli, Ramirez, and Meyer 1985). This is of course nothing but the state writ large, and defined culturally rather than organizationally. (See Thomas and Meyer 1984 for a direct attempt to broaden sociological understandings of the state.)

Polity types are regarded as varying primarily across national contexts. Jepperson and Meyer (1991) discuss two dimensions: the degree to which social actors are authorized as public entities, and the degree to which public functions and functional relations are collectively institutionalized. Cross-cutting these two dimensions yields four polity types: liberal, statist, segmental, and corporatist. For example, liberal polities are those where a broad array of actors are seen as contributing to the collective good (private business expands the national wealth and associational entities expand public life) but public functions are not collectively institutionalized (none of the above actors has special access rights to public resources).

The broadest argument is that formal organizations are built around whatever the polity legitimates and institutionalizes. This affects first the amount of formal organization. Where polities accord more actors and actions public status, more organizing occurs. Little formal organizing (and more informal, less reified social action) is expected where theories of the collective good fail to reach.

Second, the forms that organizations take are grounded in the sorts of actors and functions that are legitimated. In the United States, organizations are fashioned around the individual actors whose sovereignty and competence the liberal polity celebrates. American organizations turn into sprawling, decentralized affairs, since value and competence are located within the individual rather than within the status group or technical elite. (Professional organizations look like this all over the world, for the same reason.)

Formal organization in other systems reflects the logic of their polity structures. Organizations in corporatist polities incorporate functions and status groups that would be treated as private interests in the liberal polity (Schmitter 1973). In statist societies, organizations develop in ways isomorphic to the state, with less lateral differentiation and more internal incorporation of state offices and routines.

Diffusion Across Organizations

Much institutional research explores diffusion processes, where some practice or attribute spreads across a population of organizations. Institutional models of diffusion seek to build on two common ways of understanding why and where adoption occurs. They build on "choice" models, where actors weigh the benefits and costs of potential innovations. And they build on "relational" models, where innovations flow along network structures linking actors (Coleman, Katz, and Menzel 1966; Burt 1987; Strang and Tuma 1993).

Much as relational models seek to distinguish interpersonally mediated diffusion from external sources of innovation, much work within the

institutional school notes how the institutionalization of an innovation affects the pattern of its spread. It is conventional to argue that institutionalization speeds diffusion, and that it diminishes the impact of local conditions that affect the local rationality of diffusion.

One of the best expositions of this argument is Tolbert and Zucker's (1983) discussion of the adoption of civil service reform by American cities. They find that civil service reforms diffused slowly in the late nineteenth century, with adoption strongly related to city characteristics that impelled efforts at reform (larger cities with more foreign-born immigrants and a small manufacturing sector adopted earlier). Over time, however, civil service measures were institutionalized within the American state and its public discourse. States passed laws requiring their passage, and national conventions on metropolitan reform turned from actively debating the merits of civil service procedures to discussing their implementation to ignoring the topic. After 1915, while the public clamor over civil service reform had passed, civil service exams and procedures diffused rapidly in ways disconnected from city characteristics.

Strang and Meyer (1993) seek to more closely delineate the cultural constructions that mediate diffusion. They develop the notion of "theorization": the degree to which social situations are understood in terms of general, abstract models. Strang and Meyer argue that where theorized definitions of the organization and its adoption decision are authoritative (i.e., institutionalized), rapid diffusion occurs. Point-to-point diffusion mechanisms are transcended by the construction of a larger frame of reference that connects everyone.

Theoretical models, such as those promulgated by social scientific and other professional observers, are logics that enhance complex kinds of copying. Theorized accounts of organizations generally demonstrate the many parallels in superficially very different social arrangements, making it easier for organizations to imitate each other. Theoretical accounts of organizational practices turn practices into "innovations" with communicable purposes and stylized features.

For example, contemporary American students of organizations often seek to sponsor the diffusion of Japanese organizational practices. In the preface to the influential *Theory Z*, Ouchi (1981) suggests that a theoretical analysis permits an appreciation of the parallels in what all kinds of organizations do. He goes on to combine stylized features of Japanese organizations (lifetime employment, non-specialized career paths, collective decision-making) to form a generalized mode of social co-action (the Theory Z organization) that solves universal problems of organizational behavior in a particular way. Ouchi argues that Americans would do well to adopt, not Japanese organizational practices *per se*, but some appropriate (theorized) analogue. As such he acts as the sophisticated agent of a highly constructed diffusion process.

In pursuing the notion of theorization empirically, Strang and Bradburn (1993) note that enabling legislation for "health maintenance organizations"

(HMOs) spread rapidly through the American states after a novel analysis gained prominence in federal health policy. In the early 1970s, a group of policy analysts and health bureaucrats argued that an organization that combined insurance and delivery functions would have both the incentive and the capacity to provide economical health care. The theorizing of this model advocated a generic new form rather than support for the major extant "HMO prototypes" like Kaiser-Permanente. A variety of different kinds of health plans were then discovered to be HMOs as various actors scrambled to get into the game. And despite wide differences in experience with these kinds of organizations, American states quickly adopted very similar laws to govern and sponsor (largely non-existent) HMOs.

Models of Institutional Formation and Change

Increasingly, work in the institutional tradition asks not only about the effects of institutions on organizations, but about where institutions come from. But while many studies provide historical accounts of institutional formation and change, this work has not generated a coherent theoretical account.[9] I thus focus on the characteristic lines of argument that institutional research has forwarded, rather than major findings. Four "logics" are identified: positive feedback models that treat the process of institutionalization, and logics of power and interest, efficiency, and culture that seek to explain why one institution and not another emerges.

Positive Feedback Models

One kind of institutional change is the process of institutionalization itself. A processual and microanalytic view sees this as a fundamental social process that occurs everywhere all the time. For example, Berger and Luckmann (1967) describe how joint activity gives rise to understandings of the activity, which are then transmitted to third parties as objective facts rather than social agreements. In this view, social action naturally moves in the direction of institutions. Some non-institutional process or factor is required to launch the institutionalizing dynamic and to contain it.

Hannan and Freeman (1987, 1988) develop a model of this kind for the demographics of organizational populations. Applying the notion of taken-for-grantedness, they propose that "legitimacy" is a function of how many organizations exist. High legitimacy leads to more organizational foundings and fewer organizational failures, which means population growth, which generates even higher legitimacy. The positive feedback between population size and legitimacy implies that institutions tend to progressively elaborate and intensify over time, and will do so indefinitely unless checked by some opposing process. In Hannan and Freeman's model, this opposing process is intensifying competition for resources.

Parallel arguments can be designed around "learning by doing" and the crystallizing of complex action networks. For example, Paul David (1985) explains the non-optimal "QWERTY" keyboard as a kind of historical accident—it made bizarre technical sense during an early period in the diffusion of the typewriter, some professional typing schools adopted it, and once a critical mass of users and producers developed the layout proved impossible to replace. Like the positive feedback in density dependence accounts, institutionalization is here argued to involve path dependency and the amplification of small differences into large and invulnerable ones.

Where positive feedback is really strong, which practice gets institutionalized is a historical accident that might be explained but cannot be predicted. Institutional analysts have not generally been happy with this notion, and have sought out bigger causes for why institutions get placed on one track rather than another. The three logics below note substantively different types of factors, emphasizing power or efficiency or culture.

Logics of Power and Interest

DiMaggio (1988) is forceful in noting how institutional theory defocuses interests and actors. Although actors and interests feature in institutional explanations, they play a supporting role that adds no explanatory power. Homogeneous and abstract interests like the desire to preserve the organization are treated as exogenous. But native interests that exhibit variance across individuals or produce complex lines of action are discounted. Instead, the emergence of actors with particular conceptions of interest is endogenized as the product of a wider institutional environment.

Arguments about the construction of institutions often return the actor to a less constrained and more productive role. Self-interested actors are argued to build institutions that will benefit them. Power arbitrates between actors with conflicting interests, and explains why some actors are particularly effective at institutionalizing their projects.

DiMaggio's (1982a, 1982b) work on the construction of cultural organizations (art museums, orchestras) is a case in point. DiMaggio regards these organizations as the embodiment of a class dynamic. He details how centrally placed elites constructed novel kinds of organizations (the Museum of Fine Arts and Boston Symphony Orchestra in Boston, the Philharmonic in New York). As non-profit corporations, these organizations were straightforwardly controlled by the cohesive elites of Eastern cities, who regulated them as trustees and supported them through philanthropy.

These new organizations institutionalized a new classificatory logic that sharply divided high and popular culture. Embodying a particular aesthetic style, they eschewed popular education for an unmediated relation between the art and the knowledgeable viewer. A salaried, professionalized staff also emerged to replace the amateurs and independent artists of the previous period. These professionals become the effective carriers of the framing of high art as a distinctive enterprise, accessible primarily to members of the elite and reinforcing the cultural distance between social classes.

Other work also finds that powerful actors actively design institutions. For example, Mezias (1990) describes how large corporations sought to mold accounting standards in directions opposed to professional norms. The influence of these corporations over the "Big Eight" accounting firms led to a split within the Accounting Principles Board, and direct campaigning by large corporations led the Securities and Exchange Commission to announce a conflicting ruling. The final conclusion of the fight over accounting practice was a qualified victory for the large corporations.

Logics of Efficiency

Leblebici, Salancik, Copay, and King (1991) note a weakness in the theory that powerful actors design institutions in their interests. To say an actor is powerful is to say that she is well positioned within the matrix of existing institutions, and thus that existing institutions are generally compatible with her interests. Leblebici et al. (1991) contend that substantial institutional change is instead sparked by marginalized actors, who seek out new strategies and in so doing sometimes revolutionize conventional practice. They show that legal rules and standard organizational practice in radio broadcasting were several times restructured after innovations of doubtful legitimacy were capitalized upon by peripheral firms. For example, advertising on the air was successfully promulgated by individuals like "Doctor" J.R. Brinkley, who hawked goat-gland operations to revitalize the sexual drives of senior citizens (p. 345).

Arguments about innovations produced by isolated and marginal actors are generally arguments about efficiency (though the converse does not hold). Potential institutions are seen as in competition with each other, with the most effective one driving out the others. Fligstein (1990) thus describes how the success of a novel conception of corporate control in one firm is mimicked elsewhere. While each conception contains its own criteria of success and the state constrains the competition in various ways, the relative success of novel approaches plays a prominent role in their spread.

Barley and Kunda (1992) argue that the timing of shifts in managerial discourse is tied to long waves of economic productivity. In periods of general economic expansion where the return on capital is high, production can be maximized by utilizing capital better. In periods of general decline when the return on capital is low, production can be maximized by utilizing labor better. Rational rhetorics of the firm flourish during upswings and normative rhetorics during downswings because that is when they are most useful.

Logics of Culture

A final approach is to see institutions as nested within other institutions. All the models of cultural environments described above employ this argument, though often in tandem with logics of feedback or power or efficiency. Thus while Barley and Kunda (1992) view the specific eras of rational and normative rhetorics of control as driven by economic conditions, they argue that the two lines of discourse spring from a fundamental antinomy of Western thought, the tension between notions of community and society that also suffuses the sociological classics. Economic conditions lead to particular choices at particular times, but cultural contexts define what the options are.

Similarly, Strang and Bradburn (1993) view deep understandings of how people and economic institutions work as the cultural stuff that empowered the promotion of health maintenance organizations rather than some other reform. They note that HMOs were "symbolically" linked to core beliefs about the efficacy of market discipline, individual financial incentives, and organizational control mechanisms.[10] While the occasion for this re-evaluation of health models was the spiralling health budget, a cultural logic constrained what strategic options seemed attractive.

Finally, strong views of a homogeneous "Western cultural account" suggest that all kinds of specific institutions are instances of a more general cultural logic. Much institutional innovation is seen as the extension of core understandings to new or previously marginal types of actors and actions. For example, Dobbin et al. (1993) argue that organizations confronted with EEO requirements sought to reformulate job structures in ways that addressed such seemingly opposed concerns as social equality and the optimal utilization of human resources. Barley and Kunda's discussion is also of this type, where the grand dramas of Western culture are played out on the managerial stage.

Mixing the Logics

It is notable that much of the (still fragmentary) analysis of the formation of institutions combines two or more of logics discussed above. On the one hand, the study of institutional construction permits attention to self-interested action and to comparisons between the workable and the ridiculous that existing institutions tend to suppress. At the same time, treatments of institutional construction that are purely driven by power, interest, or efficiency are not themselves institutional accounts. Such treatments turn institutional theories into second-order models of power or efficiency. Analysts working within the institutional tradition are thus careful to continue to incorporate notions of nested institutions, or at least path dependency, in their accounts of what produces institutions.

Broadening the Scope of Institutional Theory

Early institutional research studied social domains where institutional effects appear terrifically strong. Empirical contexts like public education dramatize the construction of the individual as the carrier of rational action, are regulated by the state and protected from the market, and lack measurable outputs. Within such organizations, researchers focused on the sharp decoupling of massive cultural classifications (like standardized credentials) from the realities of individual learning and variations in classroom and school environments.

While contexts like schooling promote rich and compelling institutional imagery (Meyer 1977; Meyer and Rowan 1978), they suggest a rather narrow scope for institutional accounts. Institutional analysis may be useful for understanding public and not-for-profit organizations, but not for the real world of productive enterprise. And if symbolic structures really are decoupled from the work of the organization, perhaps they can be safely ignored.

Much contemporary research seeks to broaden the empirical scope of institutional analysis to embrace the private sector. Fligstein's (1990) account of dominant corporate strategies is the most ambitious of these. Fligstein's typology identifies cultural models of what the corporation is and how it should act. And like much recent work (Dobbin et al. 1993; Strang and Bradburn 1993), Fligstein emphasizes that markets are also social institutions, and examines how they are constructed through interaction between private organizations and the state.

On the theoretical side, there is less attention to the decoupling of "symbolic" and "real" behavior, and more emphasis on how and when institutions condition all kinds of activities.[11] Public initiatives may lead organizations to generate cheap symbols of compliance (Edelman 1992). But reformers also use the same laws to fashion support for the restructuring of organizational routines (Dobbin et al. 1993). Strang and Chang (1993) find that external models lead to rhetorical commitment where an internal constituency for the model is absent, but to change in resource allocation where such a constituency exists. In all these studies, institutional environments provide resources for internal mobilization as well as constraints to be skillfully elided.

CONCLUSION

The new institutional analysis of organizations is built around core sociological insights into the way local action is constrained and shaped by larger structures. It provides a more cultural account of this context than found in other analyses of the modern organization, or in most other versions of structural sociology. Perhaps the major theoretical contribution of the institutional school to sociology is its close attention to the cultural

roots of social forms, and to the relational structures linking public authorities and private actors.

The development of the institutional perspective has largely involved an effort to specify what sorts of interpretative and relational structures impinge on organizations, and to broaden the scope and import of institutional argument. The most glaring lacunae within the new institutionalism is the lack of rich models of institutional change that are themselves clearly institutional in character.

ACKNOWLEDGEMENT

NOTES

1. Powell and DiMaggio (1991) provides the richest introduction to contemporary institutional analyses of organizations, combining foundational statements, theoretical extensions, and empirical applications.

2. In political science, see March and Olsen (1984); in economics, Williamson (1985). The institutionalism of economic and political sociology stands somewhere between (Evans, Rueschemeyer, and Skocpol 1985; Granovetter 1986). International relations has generated both efficiency and interpretivist institutional positions; see Keohane (1988) for a review.

3. Jepperson (1991) provides a dynamic version of this notion, regarding institutions as practices that are routinely reproduced.

4. These may be first-order processes, where individuals are directly and internally imprinted by normative beliefs or cognitive constraints. Or they may be second-order processes, where individuals act in certain ways because they know others to be motivated by norms or are limited in the types of behavior they can interpret and respond to.

5. Some of the Prussian overtones in Weber's account were exorcised by Blau and Gouldner, but a densely naturalistic notion of "complex" organizations remains a foundational concept. By contrast, consider contemporary analyses of "organizational culture" that see organizations as rich and unique human communities.

6. Tolbert and Zucker's (1983) research on civil service reform makes the same sort of argument, this time for how behavior becomes dislocated from actor characteristics once understandings about the practice are institutionalized. The study is discussed below in the section on diffusion processes.

7. In the 1970s, federal educational initiatives took the form of many small disconnected programs (one study counted 18) for the Handicapped, Migrant Children, Cooperative Education, Libraries, and the like. Fragmentation is characteristic of much federal activity, due to weak national mandates over many domains.

8. By this logic, the contemporary appeal of the new institutionalism in organizational theory is a product of the present dominance of a normative rhetoric, which also promoted attention to "organizational culture."

9. A research design problem is that most work on institutional change examines the successful construction of new institutions. There is much less work on institutions that collapse

or failed efforts to create or change institutions (but see Covaleski and Dirsmith 1988). Fresh insights might be gained from more attention to these kinds of outcomes.

10. Specifically, HMOs were described as organizations that directly placed the provision and insurance of medical care under one organizational roof. Providers were seen as financially motivated to economize on health care. Selection pressures within markets were understood to drive HMOs to develop control mechanisms or reimbursement systems that would align provider and organizational incentives.

11. For a pointed critique of the "institutionalization of institutional theory," see Powell (1991).

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