

Chapter Twenty-one

Interorganizational Institutions

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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, 1995) and DiMaggio and Powell (1991). Unlike Selznick's (1949) inquiry into how organizations become institutions, contemporary work asks how organizations are influenced by institutionalized rules and institutional environments – forces that operate above and across organizations. Much research documents institutional effects on organizational practices, performance, and life chances. Substantive attention focuses mainly 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 under-developed "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.

Powerful 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. DiMaggio (1988) and Brint and Karabel (1991) seek to bring power and interest back in. Zucker (1989) develops ideas about entropy and the contagion of legitimacy. Oliver (1991, 1992) argues for a more strategic institutionalism. Clemens and Cook (1999) for the mutability of schemas, 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 macro-institutional change. While we agree that fundamental theoretical positions must be reworked if institutional change is to be better explained, we also think that review of empirical work provides useful insight into the logic of institutional accounts, and can suggest lessons for theoretical and empirical progress.

CONCEPTIONS OF INSTITUTIONS AND INSTITUTIONAL EFFECTS

Neo-institutional analysis in organizational studies makes up 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 traditions. 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 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 describes a practice as institutionalized when it is "infused with value beyond the technical requirements of the task at hand" (1957, p. 17). Meyer, Boli and Thomas (1987, p. 13) see institutions as "cultural rules giving collective meaning and value to particular entities and activities, integrating them into larger schemes." 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 that spirit 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, p. 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 shake their cultural roots, as puritanical entrepreneurs give birth to trapped organization men and fun-loving hedonists.

Literature Review

Theoretical blinders aside, institutional research routinely studies substantial historical change (see Table 21.1 for some key studies). 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.

Table 21.1 Selected research on interorganizational institutions and institutional change

Reference	Key concepts	Key variables	Key predictions and findings	Key contribution	Method and sample
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	Examination of spread of small group activities in the USA, Japan, and Sweden
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	Diffusion of poison pills and golden parachutes among American corporations
Davis et al., 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 deinstitutionalization	Bust-up takeovers of conglomerates, 1980s
DiMaggio and Powell, 1983	Institutional isomorphism in organizational fields	Coercive, mimetic, and normative processes	Organizational fields tend to become isomorphic.	Conceptualizes general institutional processes promoting isomorphism	Theoretical analysis of mechanisms underlying change in different industries
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	Details reciprocal interpretive activity of state and professions	Event history and qualitative analyses of personnel practices, 1970-90s
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.	Identifies variation in corporate structures and their link to state policy	Historical analysis of US corporations in the twentieth century
Hirsch, 1986	Institutionalization of a deviant innovation	Images employed in describing takeovers;	Intertwined changes in social action (who	Describes framing as a collective activity and	Reports on hostile takeovers appearing in the <i>Wall Street Journal</i> .

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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	Reports on hostile takeovers appearing in the <i>Wall Street Journal</i> , 1970-80s
Haveman and Rao, 1997	Organizational forms as embodying theories of moral sentiments	Typology of thrifts; founding and failure rates	Industry change involves organizational selection based on institutional linkages.	Builds connections between ecological and institutional arguments
Leblebici et al., 1991	Industry systems as ways of solving public goods problems; marginal and central actors	Periodization of radio systems; identity of innovators; precursors of system change	Movement between radio broadcasting systems occurs at points of institutional crisis or completion; innovators are marginals.	Event history analysis of the life chances of California thrifts, 1890-1928
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 endogenous account of institutional change
				Charter statement for institutional analysis in organizational studies; neo-Weberian model of the emergence and functioning of formal organization
				Theoretical analysis of educational organizations

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. A crime had become a 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, p. 132). Legitimacy leads to more organizational foundings and fewer organizational failures, which leads to population growth, which generates even more legitimacy.

Other work treats legitimacy as a product of relational embeddedness where organizations gain standing through 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.

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CHANGE AGENT

Different institutional accounts of change view different actors as central. We consider three sets of "institutional entrepreneurs" or "change agents":

- States and professions who lead institutional reform movements "from the top"
- Marginals and outsiders who innovate
- Mobilized groups who push for institutions that reflect their concerns and interests.

INSTITUTIONAL REFORMERS AT THE TOP

Much work 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, induce 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 et al. (1986) find that the federal government's active management of the economy during World War II promoted formalization of employment, as wartime agencies constructed job categories to slow turnover and firms used them to communicate their manpower needs. The more recent evolution of human resource practices is also linked to state policy, particularly through the 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 also constructs organizational forms. 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 draw on prior models of the relationship between state and society, they rework those models to fit new problems.

Discussions of the state's role as an institutional entrepreneur 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.

A more structural argument is also made about the state. Because it is such a large organizational actor, 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 et al. (1986) emphasize that the state's early impact 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. McKenna (1999) reports how McKinsey consultants invented the notion of corporate culture in a response to declining interest in their long-standing remedy of decentralization.

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, which 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 USA, 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, American quality circle proponents 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 success, and where actors have the least to lose.

Leblebici et al. (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, p. 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 et al. (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 abandoned purist notions of a liberal education to add cash-generating professional programs. Tolbert and Sine (1999) show 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 (1965, p. 107), for whom an institution is "a structure in which powerful people are committed to some value or interest." 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.

Edwards (1979) and Jacoby (1985) apply this perspective to the shift in industrial production from direct shop floor supervision to bureaucratic controls and protections. The "drive system" was defended by foreman, production managers, and plant superintendents 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). Regulated internal labor markets emerged out of the post-World War II settlement, a period where American union organization stood at an all-time high (Guillén, 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, traditionally cast in the role of "feeder schools" preparing students to transfer into four-year programs. Brint and Karabel describe junior college administrators as actively seeking a less subordinated 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 et al., 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 or as oppositional. In an analysis reminiscent of Marxist accounts of revolutionary change, Hinings et al. (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 public

choices among well-defined institutional frames and collective efforts. Greenwood and Hinings (1996) thus argue that organizational coalitions select templates 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

Change agents are often ushered onto the stage by "triggering" conditions. These often take the form of a problem or crisis that motivates a search for alternatives. For radio broadcasting this might be the advent of television; for health care it might be spiraling 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 be recognized as such within successfully institutionalized domains. By attending to triggering conditions, institutional accounts implicitly assume that existing practice is not institutionalized but instead primordial and unorganized.

Perhaps the most common triggering condition is performance failure. Institutionalized practices are threatened 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 top-down institutional reform often start from performance failures that falsify established theories of effective action. For example, 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 drew on the expert literature to make the case for deregulation and to counter stakeholders within the industry.

Performance failure motivates other sorts of institutional innovators as well. Davis et al. (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, p. 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 possible trigger of institutional change, however; see Oliver (1992) for a detailed discussion of sources of deinstitutionalization. For

example, Haveman and Rao (1997) relate the life chances of institutional models to broad social structural change. Early thrifts were built around principles of mutualism 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 can delegitimize 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 state's conceptualization 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 et al. (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 mistaken. Davis et al. thus argue that conglomer-

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ates 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 entrepreneurs are then able to legitimate new projects by importing alternative logics. 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 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 for some remains robust, in part, because poorly paid temporary and part-time faculty can be hired.

Current Issues and Debates

We note two measurement issues 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. New data collection methods 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 as 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 that promote new practices and industries (Hybels and Ryan, 1996). Hannan and Carroll (1995) defend density counts as highly general and parsimonious relative to culturally specific measures.

This debate generates two lines of research. First, it promotes efforts to devise rich direct measures of legitimacy. For example, Ruef and Scott (1998) examine different forms of hospital accreditation and how these affect organizational survival and Hybels and Ryan (1996) directly measure media sources of legitimacy and their influence on organizational foundings. 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. Comparative analysis of patterns of density dependence across different organizational populations can probe cultural and political sources of variability in legitimacy.

Questions That Remain Unanswered

INSTITUTIONALIZATION AND INSTITUTIONAL DECLINE

Haveman (2000) argues that the lack of agreement about central constructs is an impediment to progress in the institutional research tradition. The most fundamental unanswered question is when is an organizational practice or form an institution? Without consensus on this point, the concept of "institution" is extremely imprecise, a "you know it when you see it" phenomenon. Most institutional work agrees that organizational practices and forms are fully institutionalized when they are adopted by most of the organizations within an institutional field (Tolbert and Zucker, 1996). Yet, there is little theoretical or empirical work that develops enough precision to differentiate between the pre-institutionalized, semi-institutionalized, and fully institutionalized stages of an organizational form or practice (Tolbert and Zucker, 1996).

Similar ambiguity about the nature of an institution exists at the organizational level, where empirical research often treats institutionalization as a dichotomous variable; for exceptions see Sine (2000) and Tolbert and Sine (1999). For example, CEO decisions to adopt a popular management practice may be counted as institutionalizing it even though the practice is not viewed as legitimate to or taken for granted by the majority of employees at the firm. This imprecision is largely a result of ambiguity about the characteristics that differentiate the institutionalized from the uninstitutionalized.

A second unanswered question that follows the first is at what point of abandonment is an organizational process or form undergoing deinstitutionalization? The lack of paradigmatic consensus and imprecision impedes researchers' collective ability to propose and test hypotheses (Haveman, 2000) about institutional decline, and is reflected in the paucity of literature on the topics. Critical questions about the life cycle of institutions cannot be approached without theoretical tools that enable researchers to examine fluctuations in degrees of institutionalization (Schneiberg and Clemens, 1998). Fluctuations in usage, discourse, and relational embeddedness are common, but without a clearly defined measure of institutionalization it is difficult to address their causes and consequences (Sine, 1999).

Paradigmatic confusion is not new to the institutional research tradition. Early tautological conceptions of institutionalization defined institutions as patterned actions that persist (Zucker, 1987). From this perspective, institutions could not change for if they did, then they would not be "persisting" and not an institution. Zucker (1987, p. 444) explained that contemporary institutional theories avoid this trap by "treating institutionalization as a variable and by separating its causes from its major consequence." Effective discussion of institutional change is aided by an underlying theoretical understanding of institutionalization as a matter of degree rather than a defined state (Tolbert and Zucker, 1996).

Empirical research on institutional change requires clear explanations about those institutional qualities that enable organizational behaviors and forms to resist change and endure. Discussions of institutional change would be advanced by an index based on observable dimensions of institutional resistance to change. Such an index might include cognitive measures of taken for grantedness developed through discourse analysis, normative measures of density of usage from associational records or organizational surveys, and regulatory measures of formal mandates promulgated by governments, professions, and trade associations (Sine, 1999).

LEGITIMACY VS. STATUS

Legitimacy has been seen by institutional theorists as fundamental to the explanation of why some practices and organizational forms are more prevalent than others (Suchman, 1995). Often cited definitions of legitimacy include the "generalized perception or assumption" that certain practices or forms are appropriate. Thus, institutionalists argue that organizations may strategically adopt certain practices in order to increase their legitimacy and thereby improve their chances for survival and enhanced performance (Oliver, 1991; Meyer and Rowan, 1977) or that they adopt practices that are so legitimate that they are taken for granted (Berger and Luckmann, 1967). This argument implies a stratification of organizations, practices, and forms along a continuum of legitimacy. At one end of the continuum are less accepted organizations and practices and at the other end are organizational practices and forms that are congruent with commonly accepted norms and values (Suchman, 1995).

This view of stratification is limited in its power to explain choices among legitimate alternatives. For example, the fact that Harvard Business School curricula are more likely to be disseminated than are the curricula of entirely legitimate "third tier" universities cannot be understood simply by reference to legitimacy. The traditional sociological concept of status is useful here. Numerous sociologists have argued that organizations and institutions are stratified and some are more prestigious than others (Parsons, 1949; Perrow, 1961; Stinchcombe, 1965; Merton, 1968). Status influences organizational and intraorganizational practices such as exchange relations (Thye, 2000), interorganizational affiliations (Podolny, 1993; Benjamin and Podolny, 1999), citation patterns (Crane, 1972), resource allocation (Perrow, 1961), internal labor markets (Merton, 1968), and technology adoption (Shane and Sine, 2000). More attention is needed to its role in the creation, diffusion, and decline of institutions.

New and Emerging Directions

RESEARCH DESIGN

Institutional research furthers an understanding of change when it examines contexts where institutions are incomplete or collapsing, or where multiple institutional frameworks are in competition. Such contexts are not rare but ubiquitous. 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.

Institutional research increasingly studies these sorts of contested settings. For example, Rao (1998) portrays competition between alternative ways of framing consumer watchdog 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 watchdog 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 its rival to move towards a more socially neutral, scientific role.

A second trend is towards longer-term analyses of institutional change. Analyses over short time periods tend to portray institutions as unchanging, and even those that examine a key turning point can argue that the "ancient regime" was not quite institutionalized enough. But work that describes the rise and fall of institutions (more adequately than studies of 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 Guillén (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 health care corporations.

MAKING IT DYNAMIC

Endogenous dynamics are rare in accounts of institutional change. The state intervenes in personnel decisions 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 human resource administrators. Colleges respond to shifting stu-

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dent career orientations that are not generated 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 begin to redress this problem.

John Meyer and colleagues (Meyer and Rowan, 1977; Meyer, Boli and Thomas, 1987) offer an endogenous dynamic of rationalization. They view 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 professional expansion, which 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 museums that responded 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 their national associations promoted branch museums and a more inclusive model of the museum.

A second core problem 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) draws attention to management fashions, arguing that popularity provides no guarantees in sectors oriented to rhetorics of progress and novelty. Strang and Macy (2000) find that weak assumptions about abandonment lead imitative 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 a population of organizations adopts the same model or practice, they draw on the same, increasingly scarce resources. Competitive pressure will thus tend to intensify, and organizations will perceive less opportunity for extraordinary success. Leblebici et al. (1991) argue that it is under these conditions that core organizations adopt 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 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. On 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, promoting class-based mobilization, and driving down the rate of profit. In several senses, Marx thus portrays an endogenous dynamic of institutional change.

Connections Across Levels

Structures of meaning inhabit every level of analysis. Yet following Meyer and Rowan (1977) powerful notion of societal myths, organizational researchers have treated institutions as residing at interorganizational and supra-organizational (i.e., societal) levels. This conception supplanted that of the "old institutionalists," which treated organizations as emergent institutions with distinctive traditions and modes of adaptation (Selznick 1949; Clark, 1970). It is notable (but not surprising) that all three of the reviews of the institutional perspective in this volume take the externality of institutions to organizations as a starting point.

Given this scheme, causes within the institutional perspective flow down from contexts rather than up from actors. Mimetic, normative, and coercive pressures involving inter- and supra-organizational relations lead to adoption, implementation, adaptation, and maintenance decisions by organizations (DiMaggio and Powell, 1983; Westney, 1987). Organizational actions then shape the problems and opportunities faced by groups and units within organizations.

It seems clear that the research community is moving towards more reciprocal formulations. As Elsbach (this volume) details, institutional analyses at the intraorganizational level are developing rapidly. And while there remains little theorization of "organizational institutions," much recent work views organizational responses to larger institutions as strategic (Westphal et al., 1997; Tolbert and Sine, 1999). Organizational variability is linked to action orientations (like Westphal et al.'s discussion of customization) rather than vulnerability to institutional mandates (like that induced by dependence on the state for funds or accreditation). While external pressures and opportunities are of great consequence as is abundantly clear in Palmer and Biggart's chapter, new practices also bubble up from the actions of organizations and their subunits.

For example, in the late 1980s, Motorola responded to competitive threats from Japan by adopting an aggressive quality management program. While the policies it adopted were shaped by evolving approaches to organizational change and quality control in American business as a whole, Motorola's program moved from formal initiative to a self-reinforcing system of small group innovation. Motorola capitalized on its success by marketing its approach to other corporations, who sent their staff to Motorola's training facility (Motorola University), hired Motorola consultants, and sometimes poached Motorola's quality managers to reproduce the "Motorola approach to quality." In this case we see a cycle in which broad interorganizational conditions stimulated the adoption of management innovations at the organizational level, formal programs catalyzed institutional transformation at the intraorganizational level, and the resulting package then diffused to other organizations.

In general, institutional analysis can treat both the isomorphic and the constitutive nature of institutional processes. Organizational and interorganizational research commonly emphasizes the importance of isomorphic pressures on the adoption and mainte-

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nance of organizational forms and processes (DiMaggio and Powell, 1983; Tolbert and Zucker, 1983; Baron et al., 1986). Intraorganizational research often examines emergent institutional processes such as the creation and adaptation of scripts and roles (Barley, 1986; Ashforth and Fried, 1988). While in this review we have considered models of interorganizational institutional change, multilevel analyses may offer the firmest ground for theoretical and empirical advance.

Conclusion

The study of substantial institutional change is a common subject of institutional research, and empirical research develops real insights into 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 because 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 by treating actors as creative institutional entrepreneurs rather than conforming dopes.

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