"New Institutionalism in the Analysis of Complex Organizations"


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Abstract: The new institutionalism in sociology and organizational research is best represented as an extended family of scholars that share a broadly defined theoretical orientation. The multiple lines of thought in this tradition have a common interest in the relationship between social structure and organizations. Within this frame, researchers differ in their conceptualization of institutions (e.g. as specific legal or resource relationships versus a wider culture), the focus of causal arguments (e.g. top-down versus bottom-up), and the focal feature of organizations (e.g. formal structures versus practices and behavior). This robust theoretical tradition provides a valuable lens for understanding contemporary organizations and management.
Introduction

An institutional turn has taken place across the social sciences, with active strands arising in economics, political science, and sociology. In economics, rational choice institutionalism emphasizes coordination mechanisms that solve collective action problems by generating new forms of commitment and rule-following or norm-abiding behavior. Historical institutionalism, a cornerstone of comparative politics research, underscores how institutions emerge from and are embedded in temporal processes through path dependence and divergence at critical historical junctures. Sociological institutionalism shares this general emphasis on the influence of broader social structures, but takes a more cultural view of institutions, highlighting their role in providing models or scripts for action. We would not be the first to paraphrase former President Richard Nixon and argue: “We are all institutionalists now.” In this entry we focus on the sociological stream of new institutionalism, which has become particularly dominant in contemporary organization and management theory.¹

The Foundations of Sociological Institutionalism

In early analyses of the process of institutionalization — the ‘old’ institutionalism, if you will, scholars such as Selznick, Zald, and Clark explored how the policies and routines of a particular organization acquired local resonance and became self-sustaining. Selznick (1949) famously documented how the Tennessee Valley Authority’s efforts to co-opt grass-roots agrarian groups succeeded, and the resulting accommodations eventually took on a life of their own, supplanting the TVA’s original purposes. Institutionalization, in Selznick’s (1957: 17) eyes, refers to the process whereby practices become “infuse[d] with value beyond the technical requirements of the task at hand”.

In contrast to this initial focus largely on internal organizational dynamics, a “new” institutionalism shifted attention outward to examine how the external environment socially constructs organizations, providing them with templates for their formal structures and policies, and thereby increasing an organization’s legitimacy in the wider world. New institutional studies of organizations in the 1970s and 1980s are largely characterized by emphases on diffusion, isomorphism, and decoupling. As put by DiMaggio and Powell (1991:8): “The new institutionalism in organization theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supraindividual units of analysis that cannot be reduced to aggregations or direct consequences of individuals’ attributes or motives”.

¹ In 2012, approximately forty percent of submissions to the Organization and Management Theory section of the Academy of Management’s annual meeting were on the topic of institutional theory, and over half of reviewers self-identified as having relevant expertise. The two most cited papers in the Administrative Science Quarterly are canonical neo-institutional theory pieces (DiMaggio and Powell 1983; Meyer and Rowan 1977), as reported by Caren 2012 (Available at http://nealcaren.web.unc.edu/the-most-cited-articles-in-sociology-by-journal/, accessed on March 21, 2013). These two articles are also among top four most-cited works ever in both the American Sociological Review and the American Journal of Sociology.
In a foundational paper, Meyer and Rowan (1977) set out a view of complex organizations in post-industrial society as reflecting wider myths in the institutional environment rather than the technical demands of production. In order to protect an organization’s technical core, they posited a great deal of decoupling between espoused policies and actual practices, as well as internal buffering among subunits. Further, as the environment impinges on organization, considerable homogeneity among organizations develops in their formal structures, beyond any internal technical needs. Drawing on work in social psychology, Zucker (1977) emphasized that institutionalization is an organizational-level process, and viewed diffusion as a consequence of institutionalization rather than a cause. Echoing this emphasis on mechanisms, DiMaggio and Powell (1983) brought causal force to the processes of diffusion and isomorphism by spelling out mimetic, normative, and coercive channels through which ideas and practices flowed. In so doing, they emphasized the important roles of the professions, higher education, and media in promulgating ideas and projects that are widely incorporated by modern organizations. In a subsequent essay, DiMaggio and Powell (1991) drew on Bourdieu, Goffman, and ethnomethodology to fashion a theory of practical action, in an effort to build linkages between internal organizational routines and habits and macro-social forces.

Even among these early studies, it is perhaps more appropriate to think of related lines of inquiry, rather than a unitary conceptual paradigm. Institutionalism in organization theory is a big tent, in which scholars share a general conception of institutions as having normative, cultural, and regulative elements (Scott 2001). But under the broad canopy of attentiveness to external institutional influences, scholars differ in both their conceptualization of institutional environments and in the extent to which individuals and organizations are seen as being fundamentally shaped or constituted by the external environment. At the most constructivist end of the continuum, John Meyer and colleagues emphasize the social creation of actors themselves (Meyer 2010). In this view, individuals and organizations are constituted by their environment. At the other end of this spectrum are depictions of entrepreneurs pursuing self-determined interests within a set of institutional constraints and supports, and in so doing building or co-creating institutions (Battilana, Leca and Boxenbaum 2009; Lawrence, Suddaby and Leca 2009).

The conceptual breadth of the new institutional family, and the productive conflicts among its variants, contributes to the theory’s on-going intellectual vibrancy and growth. Older divisions over agency and power continue, but at least since the 1990s new debates have come to the forefront. First, recent scholarship has extended Zucker’s emphasis on the micro-foundations of institutional processes, bringing greater attention to the linkages between individuals and institutions. Second, others seek to move away from a focus on isomorphism and toward institutional sources of heterogeneity, most notably through ideas of institutional logics. A Scandinavian strand of work emphasizes translation and editing, recognizing that as institutionalized practices flow around the globe, the nature of reception and adoption often reflects strong local contingencies (e.g. Brunsson and Jacobsson 2000; Czarniawska-Joerges and Sevón 1996). Others have reconceptualized theories of loose coupling (Bromley and Powell, 2012). Third, in macro-level research, Meyer and Rowan’s early insights about organizations have been extended globally, creating a stream of research known as world polity or world society theory. In what follows we discuss developments in new institutional theory in each of these areas since the 1990s.
Micro-Foundations: How are institutions formed and reproduced?

Overview

Initial work on micro-foundations was prompted by a recognition that macro lines of research could profit from a micro motor. Such a motor would involve theories that attend to enaction, sensemaking, and meaning. Institutions are sustained, altered, and extinguished as they are enacted by individuals in concrete social situations. This line of work is guided by an effort to understand how individuals locate themselves in social relations and interpret and respond to their institutional context.

Institutional forces shape individual interests and desires, framing the possibilities for action and influencing whether behaviors result in persistence or change. Macro-institutional effects create conventions that are the scripts for meaning making. This process is recursive and self-reinforcing. Powell and Colyvas (2008) lamented, however, that the individuals that populated much of institutional analysis were portrayed as either “cultural dopes” or heroic “change agents.” Moreover, too many analyses conflate macro factors with structural forces and assume these factors only reinforce stability and homogeneity, while associating micro factors with entrepreneurship and agency. But individuals also play an important role in inhabiting institutions (Hallett and Ventresca 2006), and organizations can serve as entrepreneurs. Moreover, macro trends, such as globalization, can be profoundly destabilizing to local orders and individuals. Clearly, it is a mistake for institutional analysts to blindly equate change with the micro level and persistence with the macro.

Contributions

Institutions are reproduced through the everyday activities of individuals. Members of organizations engage in daily practices, discover puzzles or anomalies in their work, problematize these questions and develop answers to them by theorizing them. In turn, participants ascribe meaning to these theories and, in so doing, develop and reproduce taken-for-granted understandings. Jepperson (1991) was one of the first to emphasize micro-translation -- an understanding of how macro categories get inside the heads of individuals. Macro framings or values can be “pulled down” to the everyday level of practice, as varied activities can be pursued under a common interpretation or account, or diverse practices can be pursued in the search of a common goal (Colyvas and Powell, 2006). Many micro-processes represent local instantiations of macro-level trends. DiMaggio and Powell’s (1991) overview of the elements of a theory of practical action similarly focused on microtranslation. Responding to readings of their 1983 article that contended that mimetic and normative isomorphism entailed “mere” copying and replication, they emphasized that practical consciousness involves energy, effort, and reflection. DiMaggio and Powell argued that habitual action does not reflect passivity, but is a skilled means of directing attention. Everyday reasoning requires individuals to negotiate rules and procedures flexibly and reflexively to assure themselves and others around them that their behavior is sensible.

In a wide range of empirical ethnomethodological studies, categories and classifications become interpretive schema that members of organizations draw on. Over time, these schemas become a repository of organizational knowledge. As particular schemas become routinized through
repeated application and use, they develop a habitual, taken-for-granted character. Berger and Luckman (1967) emphasized that once joint activities are habitualized and reciprocally interpreted, patterns both harden and deepen as they are transmitted to others, particularly newcomers. When schemas become perceived as objective, exteriorized facts, their contingent origins are obscured.

Ethnomethodologists demonstrated how classifications and categorizations are invoked on the fly by skilled actors to keep peace on the streets, in the courts, in hospital wards, and welfare agencies. Rather than struggling with or coping with uncertainty, the practical reasoning view emphasizes how situations are rendered comprehensible, and sees such efforts as an on-going, contingent accomplishment. This is in contrast to a Weberian view of the typical bureaucracy more as a target or ideal. For the ethnomethodologists, bureaucracy is neither a rarified nor lofty goal, but deeply embedded in common-sense routines of everyday life. Organization is a formula to which all sorts of problems can be brought for solution.

A related line of micro research builds on ideas involving sense-making, associated principally with Karl Weick (1995). Sense making is inherently retrospective and precedes action because situations are only understood upon completion. Meaning is shaped through attention to what has already occurred, and is therefore directed, not attached, to action. Because outcomes and subjective objects are implicit in interpretation, sensemaking entails a process that simultaneously enacts identity and institutions. Identity is central because individuals act based on who they are, not on what choices they have, and this feature is constituted out of the process of interaction. Mead’s (1934) insight that each individual is a “parliament of selves” and that “social processes precede the individual mind” are critical. The environment is not viewed as a fixed and stable reality, but as a co-construction of individuals’ minds and their actions. Enactment represents the reciprocal interaction of the material and the cognitive world.

A sense-making approach directs attention to the importance of language, routines, and communication for analyzing micro-processes. While emphasizing that various institutional materials are commonly ‘pulled down’ by individuals and translated within organizations, these processes may differ across circumstances. Multiple modes of meaning-making occur at the interface of identity and the enacted environment, and how such understandings are forged and enacted occurs through retrospection. Sensemaking is thus a key micro mechanism of institutionalization that allows consideration of both the “cognitive complexities” that guide organizational behavior and recognition of the varied ways that institutionalized practices operate at the micro-level (Jennings and Greenwood, 2003).

Over the past decade, a new group of institutional scholars seeking to explain how extant institutional arrangements are altered have turned to the concept of institutional entrepreneurship, highlighted by DiMaggio (1988, p. 14): “New institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interests that they value highly.” The concept of institutional entrepreneurs was first developed by Eisenstadt (1980) in his work on Weber’s concept of charisma, where he studied rare, but epochal, individuals who sparked institutional change. These are creative individuals whose social positions and skills allow them to recognize problems or opportunities and take advantage of enabling conditions to alter the social order (Battilana, Leca and Boxenbaum, 2009).
Work on institutional entrepreneurship has emphasized the micro-level processes through which intentional institutional change takes place, including acts of convening, the framing of projects, the process of mobilizing resources, and the binding of new practices and forms to extant institutions (Hardy and Maguire, 2008, provide a good overview of these studies). Such work has shed light on processes of organization-building and other kinds of institutional innovation that went largely unexamined in early studies.

**Challenges**

Discussions of micro theories that portray individuals and institutions as mutually constitutive are useful, but this work remains fairly conceptual and, thus far, lacks empirical rich grounding. Indeed, it is unclear at this stage how such work could be conducted, outside of detailed ethnographic study. Work on institutional entrepreneurship represents an effort to replace the imagery of over-socialized individuals, slavishly devoted to habits and fashions of the day. But the new celebration of entrepreneurs has possibly gone too far, as not all change is lead by purported entrepreneurs. A further limitation of work derives from the relatively short temporal frame covered by most studies of institutional entrepreneurship, which regularly slice historical processes that are unfolding on the scale of many decades or even centuries into very short time periods. Thus, critical macro-level processes remain obscured from analytical view, especially when they are taking place beyond the immediate fields under investigation. Against this relatively static backdrop, the “embedded agency” of individual institutional entrepreneurs can loom artificially large. Moreover, because the cases studied have almost exclusively involved successful projects, it has been tempting for researchers to seek out confirming signs of “heroic” contributions to observed outcomes. This sampling on the dependent variable renders any possibility of generalization moot.

**Crossing Levels: Institutional Logics**

**Overview**

Scholarship on institutional logics focuses on how competing societal-level belief systems shape both individuals and organizations. This stream of research focuses on the effects of distinct and diverse institutions in influencing behavior inside organizations. Thornton and Ocasio (2008: 99) suggest that: “By providing a link between institutions and action, the institutional logics approach provides a bridge between macro, structural perspectives and more micro, process approaches.” The institutional logics perspective has proven valuable for spurring research on three fronts: change, complexity, and practice variation.

Thornton and Ocasio (2008: 101) developed a widely used definition of institutional logics as “the socially constructed, historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.” Heavily influenced by Friedland and Alford’s (1991, p.232) depiction of five key institutions -- the capitalist market, bureaucratic state, democracy, nuclear family, and Christianity, each guided by a distinctive modus operandi, this approach sees change originating from contestation between rival logics. A more recent formulation of the inter-institutional system retains this macro-emphasis, but melds the
operational and ideological elements of institutions (e.g. the bureaucratic state versus democracy) and expands the application of the logics perspective beyond Christian and democratic countries (Thornton, Ocasio, and Lounsbury 2012). The authors identify six distinctive societal institutions – the market, the corporation, the professions, the state, the family, and religions. Within each of these meta-institutions, there are differences -- in the sources of legitimacy, authority, and identity; basis of norms, attention, and strategy; informal control mechanisms; and economic rewards. Each societal sector is linked to a specific logic that shapes its material practices and organizational forms. There is much in common here with recent French social theory on different orders of worth, see particularly Thevenot and Boltanski, 2006, though these parallels have not been pursued.

Contributions

The concept of logics has been valuable in depicting social transformations. Much research has focused on either a shift from one dominant logic to another, or the layering of multiple logics. Scott et al. (2000) detailed how the growth and expansion of new logics in healthcare led to the valorization of different actors, behaviors and governance structures. Even as doctors and their patients were replaced by health care providers and consumers, they stressed that professional, bureaucratic and market logics intermingled, with one supplanting though not eliminating the other. The central idea is that institutional logics focus the attention of key actors on a particular set of problems and solutions. Changes in observed material practices and meanings can reflect movement between institutional logics.

Research on logics also provides a way for examining complexity, pluralism, and heterogeneity. Friedland and Alford’s initial conception of a logic was intended to describe competing and even at times contradictory practices and beliefs in modern Western societies. The tensions inherent in different logics provide the resources for individuals and organizations to transform social practices and structures. By focusing on how some fields are composed of multiple logics, and thus, varied forms of institutionally-based rationality, institutional analysts offer new insight into practice variation and the dynamics of adoption. Multiple logics can create diversity in practices by enabling variety in cognitive orientations, prompting contestation over which practices are appropriate. These contradictions in multiple logics can also create ambiguity, leading to logic blending, the creation of new logics, or the continued emergence of new variants. This revision to a theoretically abstract and analytically distinct set of ideal types makes it useful for studying multiple logics in conflict and consensus, the hybridization of logics, and institutions in other parts of society and the world. This perspective emphasizes heterogeneity, whereas the earlier macro institutional perspective focused on similar changes across differentiated sectors that are attributed to one master form of rationality.

Challenges

Despite its benefits for understanding change, complexity, and practices, the institutional logics perspective is not without challenges. One issue lies in the source of logics. Where do they come from? Why these six? Do they operate with differential force, in different social settings? When and why is conflict among logics provoked? It is often not clear why actors begin to prefer one logic over another, thus much of the research is more descriptive than explanatory. (For a very
different causal account of how distinctive roles and networks prompt conflicts and generate novelty, see Padgett and Powell, 2012.) A second criticism lies in ambiguity with the term ‘institutional logic.’ The definition put forth by Friedland and Alford, as well as Thornton, Ocasio, and Lounsbury, is tied to megastructures in society, but at times the phrase is disconnected from the macro interinstitutional system and used to describe nearly any moment of conflict or complexity, such as clashes between departments or individuals over “love or money”. When micro level observations are not linked back to the larger structures of society it is unclear what is particularly institutional about the arguments or what the larger logic involved may be.

**Macro Level: World Polity**

*Overview*

Whereas the logics perspective emphasizes differences among societal-level institutions, research in the world polity tradition illuminates how modernity itself is reshaping all sectors of society, from education to firms, and at all levels, from nation-states to individuals. This perspective is historically linked to John Meyer and his many collaborators at Stanford University. These scholars study the global arena and cross-national social changes in the period since World War II, and have been particularly prolific in the areas of management, education, science, international non-governmental organizations, human rights, and the environment (Drori, Meyer, and Hwang 2006). Drawing on Max Weber, these scholars emphasize rationalization, progress, and individualism as the foundational cultural assumptions underpinning modern organizations worldwide. These universalistic cultural foundations are assumed to shape complex organizations in similar ways, regardless of the substantive field or specific location. Churches, government agencies, universities, and private firms are thought to increasingly take on similarly rationalized elements. As with Berger and Luckman’s (1967) phenomenological view, actors and organizations are highly scripted. Thus, as with the micro-foundations ideas, the social psychology involved is closest to that of Goffman and Mead, stressing the constructed nature of reality and emphasizing that much behavior reflects the enactment of socially appropriate frames in a given context.

*Contributions*

The earliest work in this tradition came from Meyer’s observation of schools in the 1970s. In schools, and comparable types of complex organizations, there is greater structural similarity than seems plausible if these entities are thought to reflect only immediate technical needs or situated power dynamics. Instead, organizations are creations of their external environment. In the world society tradition, the cultural frame of reference is increasingly at the world level, rather than bounded by a particular industry or even national context (Meyer et al. 1997). The global cultural changes that underpin the expansion and internal elaboration of organizations are characterized by increasing education (especially higher education), the empowerment of individuals through emphases on human rights, and the proliferation of scientific (and social scientific) thought and method (see, for example, the collection of writings in Krueken and Drori 2009).
This intellectual tradition is one of the central sources of cross-national organizational research. For example, in a study of national governance practices, Drori, Jang and Meyer (2006) find that increasingly rationalized administration is driven by linkages to world society (measured through trade openness, memberships in international organizations, and the penetration of science), net of measures of modernization. More recently, Schofer and Longhofer (2011) have documented how world society promotes the rapid emergence of nongovernmental organizations in countries worldwide. Thus, world society influences both the nature of organizational structures (highly rationalized) and the numbers of organizations found worldwide (increasing), over and above any local technical demands.

**Challenges**

Given that a central tenet of world polity research is that “actors” and “interests” are constituted by the wider institutional environment, it is no surprise that the strongest critiques revolve around the oversocialization of actors and a lack of attention to coercive power. To a certain degree, both the logics perspective and emphases on microfoundations emerged in reaction to phenomenological neo-institutionalism. The ideas of institutional entrepreneurs and logics emphasize individuals pursuing interests within a social framework that is largely exogenous to their existence. In contrast, the world society view supposes that the larger framework is what gives entities their status as an actor and specifies the interests that are available to them.

Further, a great deal of empirical work in this tradition documents the diffusion of all sorts of formal structures (e.g. policies, plans, or laws). In turn, such a focus generates two sorts of concerns. First, some contend that formal structures are superficial (relative to actual practices), and thus the research tackles a peripheral issue. Second, others interpret the emphasis on diffusion and homogeneity as having a teleological flavor; modernity and rationalization appear to be on an inevitably increasing trajectory towards an end where all entities look superficially similar.

**Conclusion**

We conclude with several intentionally provocative statements in the hope they might prompt theoretical progress and new research directions. First, existing conceptions of both embedded agency and structural constraints are rather simplistic. In lieu of descriptive accounts, future work might address: Under which conditions are organizations and their members likely to have autonomy from their environment, and when are they more constrained? How can we explain the variable nature of constraints and capacities of particular actors in different contexts? For example, in more centralized political or economic settings, there may be less room for robust action by the average individual or organization. Similarly, in settings where traditional forms of authority are strongest (e.g. religion, family), there may be less room for autonomy. Institutional environments with decentralized or fragmented sources of social authority may offer greater opportunity for micro-level strategic action. In short, more carefully specified, comparative conceptualizations of the relationship between institutions and actors would be valuable.

Second, the term “institution” needs to be concretely specified, or else its purchase becomes weak. Hand-in-hand with the growth of the neoinstitutional family has come increasing diversity and vagueness in the use of this term. If the many implicit understandings of institutions found in the literature were made explicit, then clearer distinctions between the various strains of
research would come into focus and more productive boundary-spanning discussions could ensue.

Presently, the institutional paradigm is quite highly developed. With such a rich and widely-used research tradition, insularity is always a risk. Rather than solely conversing with each other, neoinstitutionalists should look to insights that can be gained from other approaches. Recent studies at the intersection of social movement theory and neoinstitutionalism are one such step. Efforts to link institutional research with European traditions, such as actor-network theory, are another. A capacious theoretical pluralism will help organizational research to remain firmly rooted in addressing key puzzles in the empirical world.
References


