

3. In addition to his mentor, Merton, Selznick was also clearly influenced by the work of Robert Michels (1915/1949), a contemporary of Max Weber, who first examined the ways in which some members of organizations become more concerned with preserving the organization even at the cost of sacrificing its original goals. Michels observed this process in his study of the Social Democratic Party in Germany, which came to power, but at the sacrifice of its original goals. He gloomily concluded: "Thus from a means, organization become an end" (Michels 1915/1949: 390).

4. Values are expressions of goals or, more precisely, the criteria employed in selecting goals; norms are the generalized rules governing behavior that specify appropriate means for pursuing goals.

5. Parsons (1960b: 65–66) noted that the "points of articulation" between the three system levels are characterized by "a qualitative break in the simple continuity of line authority" because "the functions at each level are qualitatively different." His discussion thus anticipated the recognition by later analysts that some structural elements are "loosely coupled" or "decoupled" (see Meyer and Rowan 1977; Weick 1976).

6. A related line of theory and research, *agency theory*, also addresses the proper design of control structures to deal with the motivation and control of "agents"—those hired to assist the "principal"—the person expected to be the prime beneficiary of the collective work (see Alchian and Demsetz 1972; Jensen and Meckling 1976; Pratt and Zeckhauser 1985). Dealing with a problem common to all organizations, this approach focuses on the design of appropriate control and incentive systems to manage various kinds of work.

7. Peters (1999) identified six institutional perspectives existing within political science, including normative, rational choice, historical, empirical, international, and societal. This typology, in my view, gives too much weight to differences in methodology and/or topic. In a useful review, Hall and Taylor (1996) identified three "new institutionalisms": historical, rational choice, and sociological.

8. Paradoxically, as Chomsky has shown, an innate, hard-wired language capacity provides the basis for a "generative grammar" capable of rich and flexible language usage (Bergesen 2000, 2005).

9. Informative reviews of cultural sociology are provided by Wuthnow et al. (1984), Wuthnow (1987), and DiMaggio (1990, 1997).

10. It is for this reason that phenomenologists such as Schutz and Bellah define themselves as "symbolic realists."

11. In his subsequent work, Silverman (1972; Silverman and Jones 1976) shifted his focus toward a more micro, ethnomethodological emphasis, examining the multiple meanings and rationalities associated with participants' phenomenological accounts of their common situation (see Reed 1985).

3

Crafting an Analytic Framework I

Three Pillars of Institutions



To an institutionalist, knowledge of what has gone before is vital information. The ideas and insights of our predecessors provide the context for current efforts and the platform on which we necessarily craft our own contributions. However, as should be clear even from my brief review, the concepts and arguments advanced by our predecessors have been strikingly diverse, resting on varied assumptions and privileging differing causal processes. A number of theorists have proposed that we can clarify the arguments by boiling them down to a few dominant paradigms (see e.g., Campbell 2004; Hall and Taylor 1996). However, as Campbell observed, these "schools" exhibit as many similarities as differences. Hence, my own approach to bringing some order into the discussion is to propose a broad definition of institutions that can encompass a variety of arguments and then attempt to identify the key analytic elements that give rise to the most important differences observed and debates encountered. This chapter and the next identify and elucidate the three analytical elements that comprise institutions. Each element is important and, sometimes, one or another

will dominate, but more often—in robust institutional frameworks—they work in combination. However, because each operates through distinctive mechanisms and sets in motion disparate processes, I emphasize their differences in my initial discussion.

After introducing the principal distinctions around which the analysis is conducted, I bravely but briefly consider their philosophical underpinnings. Varying conceptions of institutions call up somewhat different views of the nature of social reality and social order. Similarly, the institutional elements relate to disparate constructs of how actors make choices: the extent to which actors are rational and what is meant by this concept. These issues, although too complex to fully explore, are too important to ignore.

The companion chapter, chapter 4, completes the presentation of the analytical framework and associated issues. It begins by examining what types of institutional beliefs support the development of organizations. I then describe the concept of “structuration,” which can assist us in the effort to reconcile institutional constraints with individual agency. Finally, I describe a set of diverse carriers that transport institutional elements and identify the multiple levels at which institutional analysis takes place.

Chapters 3 and 4 should be taken as a prolegomena to the more problem-focused, empirically based discussions in the chapters to follow. They introduce concepts and definitions that are employed to examine particular topics as well as preview controversies and issues that are encountered as we review, in chapters 5 through 8, developments in institutional theory and research from the 1970s to the present.

❖ DEFINING INSTITUTIONS

Let us begin with the following omnibus conception of institutions:

Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life.

This is a dense definition containing a number of ideas that I will unpack, describe, and elaborate in this chapter and the next. In this conception, institutions are multifaceted, durable social structures made up of symbolic elements, social activities, and material resources. Institutions exhibit distinctive properties: They are relatively resistant to change (Jepperson 1991). They tend to be transmitted across generations,

to be maintained and reproduced (Zucker 1977). As Giddens (1984: 24) states, “Institutions by definition are the more enduring features of social life . . . giving ‘solidity’ [to social systems] across time and space.”

Institutions exhibit these properties because of the processes set in motion by regulative, normative, and cultural-cognitive elements. These elements are the central building blocks of institutional structures, providing the elastic fibers that guide behavior and resist change. I examine the distinctive nature and contribution of each element in a subsequent section of this chapter.

Although rules, norms, and cultural-cognitive beliefs—symbolic systems—are central ingredients of institutions, the concept must also encompass associated behaviors and material resources. An institutional perspective gives heightened attention to the symbolic aspects of social life, yet we must also attend to the activities that produce and reproduce them and to the resources that sustain them. Institutions are, in Hallett and Ventresca’s (2006) useful metaphor, “inhabited by people and their interactions.” Rules, norms, and meanings arise in interaction, and they are preserved and modified by human behavior. To isolate meaning systems from their related behaviors is, as Geertz (1973: 17) cautioned, to commit the error of

locking cultural analysis away from its proper object, the informal logic of actual life. . . . Behavior must be attended to, and with some exactness, because it is through the flow of behavior—or, more precisely, social action—that cultural forms find articulation. . . . Whatever, or wherever, symbol systems ‘in their own terms’ may be, we gain empirical access to them by inspecting events, not by arranging abstracted entities into unified patterns.

Similarly, for Berger and Luckmann (1967: 75), institutions are “dead” if they are only represented in verbal designations and physical objects. All such representations are bereft of subjective reality “unless they are ongoingly ‘brought to life’ in actual human conduct.”

Sociological theorists Giddens (1979, 1984) and Sewell (1992) underline the importance of including material resources—both material and human—in any conception of social structure so as to take into account asymmetries of power. If rules and norms are to be effective, they must be backed with sanctioning power. Conversely, those possessing power in the form of excess resources seek authorization and legitimation for its use. For cultural beliefs, or “schemas” in Sewell’s (1992: 13) formulation, to be viable, they must relate to and are often embodied in resources:

Schemas not empowered or regenerated by resources would eventually be abandoned and forgotten, just as resources without cultural schemas to direct their use would eventually dissipate and decay.

The Giddens/Sewell formulation usefully stresses the "duality" of social structure, encompassing both idealist and material features of social life and highlighting their interdependence, an argument we elaborate on in chapter 4.

Many treatments of institutions emphasize their capacity to control and constrain behavior. Institutions impose restrictions by defining legal, moral, and cultural boundaries, setting off legitimate from illegitimate activities. However, it is essential to recognize that institutions also support and empower activities and actors. Institutions provide guidelines and resources for taking action as well as prohibitions and constraints on action.

Although institutions function to provide stability and order, they undergo change, both incremental and revolutionary. Thus, our subject must not only include institutions as a "property" or state of an existing social order, but also institutions as "process," including the processes of institutionalization and deinstitutionalization (see Tolbert and Zucker 1996). Scholars increasingly attend not only to how institutions arise and are maintained, but how they undergo change.

Institutions ride on various conveyances and are instantiated in multiple media. These institutional carriers vary in the processes employed to transmit their messages. In addition, institutions operate at multiple levels—from the world system to interpersonal interaction. I examine these diverse carriers and levels in chapter 4.

Important differences exist among the various schools of institutional scholars, as is apparent from our review of previous work. In my view, the most consequential dispute centers on which institutional elements are accorded priority.

❖ THE THREE PILLARS OF INSTITUTIONS

Regulative, normative, and cultural-cognitive systems have each been identified by one or another social theorist as a vital ingredient of institutions. The three elements form a continuum moving "from the conscious to the unconscious, from the legally enforced to the taken for granted" (Hoffman 1997: 36). One possible approach would be to view all of these facets as contributing, in interdependent and mutually reinforcing ways, to a powerful social framework—one that encapsulates

and exhibits the celebrated strength and resilience of these structures. In such an integrated conception, institutions appear, as D'Andrade (1984: 98) observed, to be overdetermined systems: "overdetermined in the sense that social sanctions plus pressure for conformity, plus intrinsic direct reward, plus values, are all likely to act together to give a particular meaning system its directive force."

Although such an inclusive model has its strengths, it also masks important differences. The definition knits together three somewhat divergent conceptions that need to be differentiated. Rather than pursuing the development of a more integrated conception,¹ I believe more progress will be made at this juncture by distinguishing among the several component elements and identifying their different underlying assumptions, mechanisms, and indicators.² By employing a more analytical approach to these arguments, we can identify important underlying theoretical fault lines that transect the domain.

Consider Table 3.1. The columns contain the three elements—three "pillars"—identified as making up or supporting institutions. The rows define some of the principal dimensions along which assumptions vary and arguments arise among theorists emphasizing one element over the others. This table serves as a guide as I consider each element.

Table 3.1 Three Pillars of Institutions

	Regulative	Normative	Cultural-Cognitive
<i>Basis of compliance</i>	Expedience	Social obligation	Taken-for-grantedness Shared understanding
<i>Basis of order</i>	Regulative rules	Binding expectations	Constitutive schema
<i>Mechanisms</i>	Coercive	Normative	Mimetic
<i>Logic</i>	Instrumentality	Appropriateness	Orthodoxy
<i>Indicators</i>	Rules Laws Sanctions	Certification Accreditation	Common beliefs Shared logics of action
<i>Affect</i>	Fear Guilt/ Innocence	Shame/Honor	Isomorphism Certainty/ Confusion
<i>Basis of legitimacy</i>	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

The Regulative Pillar

In the broadest sense, all scholars underscore the regulative aspects of institutions: Institutions constrain and regularize behavior. Scholars more specifically associated with the regulative pillar are distinguished by the prominence they give to explicit regulatory processes—rule-setting, monitoring, and sanctioning activities. In this conception, regulatory processes involve the capacity to establish rules, inspect others' conformity to them, and, as necessary, manipulate sanctions—rewards or punishments—in an attempt to influence future behavior. These processes may operate through diffuse, informal mechanisms, involving folkways such as shaming or shunning activities, or they may be highly formalized and assigned to specialized actors, such as the police and courts.

Economists, including economic historians, are particularly likely to view institutions as resting primarily on the regulative pillar. The economic historian Douglass North (1990: 4), for example, featured rule systems and enforcement mechanisms in his conceptualization.³

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

This emphasis may stem, in part, from the character of the customary objects studied by economists and rational choice political scientists. They are likely to focus attention on the behavior of individuals and firms in markets and other competitive situations, such as politics, where contending interests are more common and, hence, explicit rules and referees are more necessary to preserve order. Such economists and political scientists view individuals and organizations that construct rule systems or conform to rules as pursuing their self-interests—as behaving instrumentally and expediently. The primary mechanism of control observed, employing DiMaggio and Powell's (1983) typology, is coercion.

Although the concept of regulation conjures up visions of repression and constraint, many types of regulations enable social actors and action, conferring licenses, special powers, and benefits to some types of actors. Institutions work both to constrain and empower social behavior.

Force, sanctions, and expedience responses are central ingredients of the regulative pillar, but they are often tempered by the existence of rules, whether in the guise of informal mores or formal rules and laws. As Weber (1924/1968) emphasized, few if any rulers are content to base their regime on force alone; all attempt to cultivate a belief in its legitimacy. Hence, powerful actors may sometimes impose their will on others, based on the use or threat of sanctions. They may provide inducements to secure compliance—for example, firms may supply price breaks to favored customers and many federal programs that lack programmatic authority to impose conformity secure local cooperation by supplying funds to support desired programs. The most common case, however, involves the use of authority, in which coercive power is legitimated by a normative framework that both supports and constrains the exercise of power (see Scott 1987; Dornbusch and Scott 1975: chap. 2). The regulative and normative pillars can be mutually reinforcing.

Much work in economics emphasizes the costs of regulation. Agency theory stresses the expense and difficulty entailed in accurately monitoring performances relevant to contracts, whether implicit or explicit, and in designing appropriate incentives (see Milgrom and Roberts 1992; Pratt and Zeckhauser 1985). Although in some situations agreements can be monitored and mutually enforced by the parties involved, in many circumstances it is necessary to vest the enforcement machinery in a "third party" expected to behave in a neutral fashion. Economic historians view this as an important function of the state. Thus, North (1990: 64) argued:

Because ultimately a third party must always involve the state as a source of coercion, a theory of institutions also inevitably involves an analysis of the political structure of a society and the degree to which that political structure provides a framework of effective enforcement.

North (1990: 54) also called attention to problems that can arise because "enforcement is undertaken by agents whose own utility functions influence outcomes" (i.e., third parties who are not neutral). This possibility is stressed by many historical institutionalists, such as Skocpol (1985), who argued that the state develops its own interests and operates somewhat autonomously from other societal actors. In this and other ways, attention to the regulative aspects of institutions creates renewed interest in the role of the state: as rule maker, referee, and enforcer.

Law and society theorists, however, point out that analysts should not conflate the coercive functions of law with its normative and cognitive dimensions. Rather than operating in an authoritative and exogenous manner, many laws are sufficiently controversial or ambiguous that they do not provide clear prescriptions for conduct. In such cases, law is better conceived as an occasion for sense-making and collective interpretation, relying more on cognitive and normative than coercive elements for its effects (see Suchman and Edelman 1997; see also chap. 6). In short, institutions supported by one pillar may, as time passes and circumstances change, be sustained by different pillars.

In short, there is much to examine in understanding how regulative institutions function and how they interact with other institutional elements. Through the work of agency and game theorists, at one end of the spectrum, and law and society theorists, at the other, we are reminded that laws do not spring from the head of Zeus or norms from the collective soul of a people; rules must be interpreted and disputes resolved; incentives and sanctions must be designed and will have unintended effects; surveillance mechanisms are required but will prove to be fallible, not foolproof; and conformity is only one of many possible responses by those subject to regulative institutions.

As noted in chapter 2, symbolic systems comprehend not only substance but affect and, hence, stimulate not only interpretive but also emotional reactions. Are their distinctive types of feelings engendered by encounters with the regulative organs of society? We think so and believe that the feelings induced may constitute an important component of the power of this element. To confront a system of rules backed by the machinery of enforcement is to experience, at the one extreme, fear, dread, and guilt, or, at the other, relief, innocence, and vindication. Powerful emotions indeed!

A stable system of rules, whether formal or informal, backed by surveillance and sanctioning power that is accompanied by feelings of fear/guilt or innocence/incorruptibility is one prevailing view of institutions.

The Normative Pillar

A second group of theorists sees institutions as resting primarily on a normative pillar (again, see table 3.1). Emphasis here is placed on normative rules that introduce a prescriptive, evaluative, and obligatory dimension into social life. Normative systems include both values and norms. *Values* are conceptions of the preferred or the desirable, together with the construction of standards to which existing structures or behaviors can be compared and assessed. *Norms* specify how things

should be done; they define legitimate means to pursue valued ends. Normative systems define goals or objectives (e.g., winning the game, making a profit), but also designate appropriate ways to pursue them (e.g., rules specifying how the game is to be played, conceptions of fair business practices).

Some values and norms are applicable to all members of the collectivity, whereas others apply only to selected types of actors or positions. The latter give rise to *roles*: conceptions of appropriate goals and activities for particular individuals or specified social positions. These beliefs are not simply anticipations or predictions, but prescriptions—normative expectations—of how specified actors are supposed to behave. The expectations are held by other salient actors in the situation, and so are experienced by the focal actor as external pressures. Also, and to varying degrees, they become internalized by the actor. Roles can be formally constructed. For example, in an organizational context, particular positions are defined to carry specified rights and responsibilities and to have varying access to material resources. Roles can also emerge informally as, over time through interaction, differentiated expectations develop to guide behavior.⁴

Normative systems are typically viewed as imposing constraints on social behavior, and so they do. At the same time, they empower and enable social action. They confer rights as well as responsibilities; privileges as well as duties; licenses as well as mandates. In his essays on the professions, Hughes (1958) reminded us how much of the power and mystique associated with these types of roles comes from the “license” they are given to engage in “forbidden” or fateful activities—conducting intimate physical examinations or sentencing individuals to prison or death.

The normative conception of institutions was embraced by most early sociologists—from Durkheim through Parsons and Selznick—perhaps because sociologists are more likely to examine those types of institutions, such as kinship groups, social classes, religious systems, and voluntary associations, where common beliefs and values are more likely to exist and constitute an important basis for order. Moreover, it continues to guide and inform much contemporary work by sociologists and political scientists on organizations. For example, March and Olsen (1989: 21) embraced a primarily normative conception of institutions:

The proposition that organizations follow rules, that much of the behavior in an organization is specified by standard operating procedures, is a common one in the bureaucratic and organizational literature. . . . It can be extended to the institutions of politics.

Much of the behavior we observe in political institutions reflects the routine way in which people do what they are supposed to do.

Although their conception of rules is quite broad, including cultural-cognitive as well as normative elements—"routines, procedures, conventions, roles, strategies, organizational forms, and technologies . . . beliefs, paradigms, codes, cultures, and knowledge" (March and Olsen: 22)—their focus remains on social obligations:

To describe behavior as driven by rules is to see action as a matching of a situation to the demands of a position. Rules define relationships among roles in terms of what an incumbent of one role owes to incumbents of other roles. (March and Olsen 1989: 23)

Norms can also evoke strong feelings, but these are somewhat different from those that accompany the violation of rules and regulations. Feelings associated with the trespassing of norms include principally a sense of shame or disgrace or, for those who exhibit exemplary behavior, feelings of pride and honor. The conformity to or violation of norms typically involves a large measure of self-evaluation: heightened remorse and/or effects on self-respect. Such emotions provide powerful inducements to compliance with prevailing norms.

Theorists embracing a normative conception of institutions emphasize the stabilizing influence of social beliefs and norms that are both internalized and imposed by others. For early normative theorists such as Parsons, shared norms and values were regarded as the primary basis of a stable social order. As Stinchcombe (1997: 18) eloquently reaffirmed, institutions are widely viewed as having moral roots:

The guts of institutions is that somebody somewhere really cares to hold an organization to the standards and is often paid to do that. Sometimes that somebody is inside the organization, maintaining its competence. Sometimes it is an accrediting body, sending out volunteers to see if there is really any algebra in the algebra course. And sometimes that somebody, or his or her commitment is lacking, in which case the center cannot hold, and mere anarchy is loosed upon the world.

The Cultural-Cognitive Pillar

A third set of institutionalists—principally anthropologists like Geertz and Douglas; sociologists like Berger, Goffman, and Meyer; and

organizational scholars such as DiMaggio, Powell, and Scott—stress the centrality of cultural-cognitive elements of institutions: the shared conceptions that constitute the nature of social reality and the frames through which meaning is made (again, see table 3.1). Attention to the cultural-cognitive dimension of institutions is the major distinguishing feature of neoinstitutionalism within sociology and organizational studies.

These institutionalists take seriously the cognitive dimensions of human existence: mediating between the external world of stimuli and the response of the individual organism is a collection of internalized symbolic representations of the world. "In the cognitive paradigm, what a creature does is, in large part, a function of the creature's internal representation of its environment" (D'Andrade 1984: 88). Symbols—words, signs, and gestures—shape the meanings we attribute to objects and activities. Meanings arise in interaction and are maintained and transformed as they are employed to make sense of the ongoing stream of happenings. Emphasizing the importance of symbols and meanings returns us to Max Weber's central premise. As noted in chapter 1, Weber regarded action as social only to the extent that the actor attaches meaning to the behavior. To understand or explain any action, the analyst must take into account not only the objective conditions, but the actor's subjective interpretation of them. Extensive research by psychologists over the past three decades has shown that cognitive frames enter into the full range of information-processing activities, from determining what information will receive attention, how it will be encoded, how it will be retained, retrieved, and organized into memory, to how it will be interpreted, thus affecting evaluations, judgments, predictions, and inferences (for an extensive review, see Markus and Zajonc 1985).

As discussed in chapter 2, the new cultural perspective focuses on the semiotic facets of culture, treating them not simply as subjective beliefs, but also as symbolic systems perceived to be objective and external to individual actors. As Berger and Kellner (1981: 31) summarize: "Every human institution is, as it were, a sedimentation of meanings or, to vary the image, a crystallization of meanings in objective form." My use of the hyphenated label *cognitive-cultural* recognizes that "internal" interpretive processes are shaped by "external" cultural frameworks. As Douglas (1982: 12) proposed: We should "treat cultural categories as the cognitive containers in which social interests are defined and classified, argued, negotiated, and fought out." In Hofstede's (1991: 4) graphic metaphor, culture provides patterns of thinking, feeling, and acting: mental programs or the "software of the mind."⁵ Culture indeed

exhibits these aggregate features—in conceptions of situations shared by collections of individuals. However, culture also exists at a more global level (e.g., in the form of collective symbols like flags, national anthems, and prevailing ideologies regarding preferred political or economic systems).

Of course cultural elements vary in their degree of institutionalization—the extent of their linkage to other elements and the degree to which they are embodied in routines or organizing schema. When we talk about cognitive-cultural elements of institutions, we call attention to these more embedded cultural forms: “culture congealed in forms that require less by way of maintenance, ritual reinforcement, and symbolic elaboration than the softer (or more ‘living’) realms we usually think of as cultural” (Jepperson and Swidler 1994: 363).

Cultures are often conceived of as unitary systems, internally consistent across groups and situations. I believe it is important to recognize that cultural conceptions often vary: Beliefs are held by some, but not by others. People in the same situation can perceive the situation quite differently—both in terms of what is and what should be. Cultural beliefs vary and are frequently contested, particularly in times of social disorganization and change (see DiMaggio 1997; Martin 1992; Swidler 1986).

For cultural-cognitive theorists, compliance occurs in many circumstances because other types of behavior are inconceivable; routines are followed because they are taken for granted as “the way we do these things.” Social roles are given a somewhat different interpretation by cultural than by normative theorists. Rather than stressing the force of mutually reinforcing obligations, cultural theorists point to the power of templates for particular types of actors and scripts for action. For Berger and Luckmann (1967: 73–75), roles arise as common understandings develop that particular actions are associated with particular actors.⁶

We can properly begin to speak of roles when this kind of typification occurs in the context of an objectified stock of knowledge common to a collectivity of actors. . . . Institutions are embodied in individual experience by means of roles. . . . The institution, with its assemblage of “programmed” actions, is like the unwritten libretto of a drama. The realization of the drama depends upon the reiterated performance of its prescribed roles by living actors. . . . Neither drama nor institution exists empirically apart from this recurrent realization.

Differentiated roles can and do develop in localized contexts as repetitive patterns of action gradually become habitualized and objectified, but it is also important to recognize the operation of wider institutional frameworks that provide prefabricated organizing models and scripts (see Goffman 1974, 1983). Meyer and Rowan (1977) and DiMaggio and Powell (1983) emphasized the extent to which wider belief systems and cultural frames are imposed on or adopted by individual actors and organizations.

The affective dimension of this pillar is expressed in feelings ranging from the positive affect of certitude and confidence, on the one hand, to the negative feelings of confusion or disorientation, on the other hand. Actors who align themselves with prevailing cultural beliefs are likely to feel competent and connected, whereas those who are at odds are regarded, at best, as “clueless” and, at worst, as “crazy.”

A cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of a common framework of meaning.

❖ THE THREE PILLARS AND LEGITIMACY

“Organizations require more than material resources and technical information if they are to survive and thrive in their social environments. They also need social acceptability and credibility” (Scott et al. 2000: 237). Sociologists employ the concept of legitimacy to refer to these conditions. Suchman (1995b: 574) provides a helpful definition of this central concept: “*Legitimacy* is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Legitimacy is a generalized rather than an event-specific evaluation and is “possessed objectively, yet created subjectively” (574). The “socially constructed systems” to which Suchman referred are, of course, institutional frameworks. Consistent with the preceding discussion, each of the three pillars provides a basis for legitimacy, albeit a different one.

In a resource-dependent or social-exchange approach to organizations, legitimacy is typically treated as simply another kind of resource that organizations extract from their institutional environment (e.g., Dowling and Pfeffer 1975; Suchman 1995a). However, from an institutional perspective, legitimacy is not a commodity to be possessed or exchanged, but rather a condition reflecting perceived consonance

with relevant rules and laws, normative support, or alignment with cultural-cognitive frameworks. Moreover, unlike material resources or technical information, legitimacy is not an input to be combined or transformed to produce some new and different output, but a symbolic value to be displayed in a manner such that it is visible to outsiders (see Scott 2003b: 213–214).

Berger and Luckmann (1967) described legitimacy as evoking a “second order” of meaning. In their early stages, institutionalized activities develop as repeated patterns of behavior that evoke shared meanings among the participants. The legitimization of this order involves connecting it to wider cultural frames, norms, or rules. “Legitimation ‘explains’ the institutional order by ascribing cognitive validity to its objectified meanings. Legitimation justifies the institutional order by giving a normative dignity to its practical imperatives” (Berger and Luckman 1967: 92–93). In a parallel vein, Weber (1924/1968) argued that power becomes legitimated as authority to the extent that its exercise is supported by prevailing social norms, whether traditional, charismatic, or bureaucratic (see also Dornbusch and Scott 1975: chap. 2). Emphasizing the cultural-cognitive dimension, Meyer and I proposed that “organizational legitimacy refers to the degree of cultural support for an organization” (Meyer and Scott 1983a: 201).

This vertical dimension entails the support of significant others: various types of “authorities”—cultural as well as political—empowered to confer legitimacy. Who these authorities are varies from time to time and place to place, but, in our time, agents of the state and professional and trade associations are often critical for organizations. Certification or accreditation by these bodies is frequently employed as a prime indicator of legitimacy (Dowling and Pfeffer 1975; Ruef and Scott 1998). In complex situations, individuals or organizations may be confronted by competing sovereigns. Actors confronting conflicting normative requirements and standards typically find it difficult to take action because conformity to one undermines the normative support of other bodies. “The legitimacy of a given organization is negatively affected by the number of different authorities sovereign over it and by the diversity or inconsistency of their accounts of how it is to function” (Meyer and Scott 1983a: 202).

There is always the question as to whose assessments count in determining the legitimacy of a set of arrangements. Many structures persist and spread because they are regarded as “appropriate” by entrenched authorities, although their legitimacy is challenged by other, less powerful constituencies. Martin (1994), for example, noted that salary inequities between men and women are institutionalized

in American society, although the disadvantaged groups perceive them to be unjust and press for reforms. “Legitimate” structures may, at the same time, be contested structures.

Stinchcombe (1968: 162) asserts that, in the end, whose values define legitimacy is a matter of concerted social power:

A power is legitimate to the degree that, by virtue of the doctrines and norms by which it is justified, the power-holder can call upon sufficient other centers of power, as reserves in case of need, to make his power effective.

Although power certainly matters in supporting legitimacy processes as in other social activities, power is not the absolute arbiter. Entrenched power is, in the long run, hapless against the onslaught of opposing power allied with more persuasive ideas or stronger commitments.

The three pillars elicit three related, but distinguishable bases of legitimacy (see table 3.1).⁷ The regulatory emphasis is on conformity to rules: Legitimate organizations are those established by and operating in accordance with relevant legal or quasilegal requirements. A normative conception stresses a deeper, moral base for assessing legitimacy. Normative controls are much more likely to be internalized than are regulative controls, and the incentives for conformity are hence likely to include intrinsic as well as extrinsic rewards. A cultural-cognitive view points to the legitimacy that comes from conforming to a common definition of the situation, frame of reference, or a recognizable role or structural template. To adopt an orthodox structure or identity in order to relate to a specific situation is to seek the legitimacy that comes from cognitive consistency. The cultural-cognitive mode is the “deepest” level because it rests on preconscious, taken-for-granted understandings.

The bases of legitimacy associated with the three elements are decidedly different and may, sometimes, be in conflict. A regulative view would ascertain whether the organization is legally established and whether it is acting in accord with relevant laws and regulations. A normative orientation, stressing moral obligations, may countenance actions departing from “mere” legal requirements. Many professionals adhere to normative standards that motivate them to depart from the rule-based requirements of bureaucratic organizations. Whistle-blowers claim that they are acting on the basis of a “higher authority” when they contest organizational rules or superiors’ orders. An organization such as the Mafia may be widely recognized, signifying that it exhibits a culturally constituted mode of organizing to achieve specified ends,

and it is regarded as a legitimate way of organizing by its members. Nevertheless, it is treated as an illegal form by police and other regulative bodies, and it lacks the normative endorsement of most citizens.

What is taken as evidence of legitimacy varies by which elements of institutions are privileged as well as which audiences or authorities are consulted.

Combinations of Elements

Having introduced the three basic elements and emphasized their distinctive features and modes of working, it is important to restate the truth that, in most empirically observed institutional forms, we observe not one, single element at work, but varying combinations of elements. In stable social systems, we observe practices that persist and are reinforced because they are taken for granted, normatively endorsed, and backed by authorized powers. When the pillars are aligned, the strength of their combined forces can be formidable.

In some situations, however, one or another pillar will operate virtually alone in supporting the social order, and in many situations, a given pillar will assume primacy.

Equally important, the pillars may be misaligned: They may support and motivate differing choices and behaviors. As Strang and Sine (2002: 499) point out: "where cognitive, normative, and regulative supports are not well aligned, they provide resources that different actors can employ for different ends." Such situations exhibit both confusion and conflict, and provide conditions that are highly likely to give rise to institutional change (Caronna 2004; Hoffman 1997; see also chap. 8).

❖ BASIC ASSUMPTIONS ASSOCIATED WITH THE THREE PILLARS

Although the differences among analysts emphasizing one or another element are partly a matter of substantive focus—what types of social systems are being examined—they are also associated with more profound differences in underlying philosophical assumptions. It is not possible to do full justice to the complexity and subtlety of these issues, but I attempt to depict the differences in broad outline. Two matters are particularly significant: differences among analysts in their ontological assumptions—assumptions concerning the nature of social reality—and differences among them in the extent and type of rationality invoked in explaining behavior.

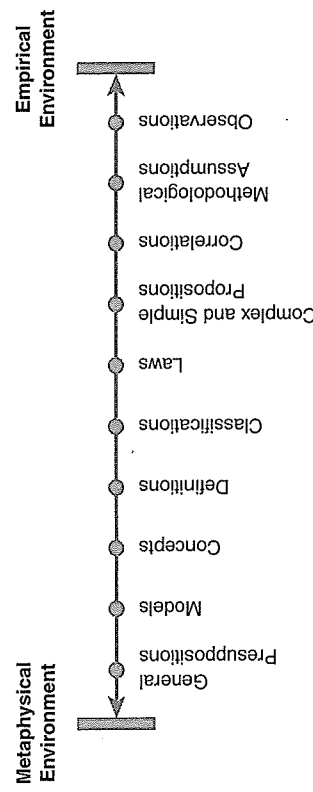
Regulative and Constitutive Rules

Truth and Reality

To examine the ontological assumptions underlying the varying conceptions of institutional elements, I believe it is necessary to begin by clarifying one's epistemological assumptions: How do we understand the nature of scientific knowledge? My position on these debates has been greatly influenced by the formulation advanced by Jeffrey C. Alexander (1983, vol. 1), who provides a broad, synthetic examination of the nature and development of theoretical logic in modern sociological thought. Following Kuhn (1970), Alexander adopted a "postpositivist" perspective, viewing science as operating along a continuum stretching from the empirical environment, on the one hand, to the metaphysical environment, on the other (see fig. 3.1).

At the metaphysical end, the most abstract general presuppositions and models associated with more "theoretical" activity reside. At the empirical end, one finds observations, correlations, and propositions. The continuum obviously incorporates numerous types of statements, ranging from the more abstract and general to the more specific and particular. More importantly, however, the framework emphasizes that, although the mix of empirical and metaphysical elements varies, every point on the continuum is an admixture of both elements. "What appears, concretely, to be a difference in types of scientific statements—models, definitions, propositions—simply reflects the different emphasis within a given statement on generality or specificity" (Alexander 1983: vol. 1, 4).

Figure 3.1 The Scientific Continuum and Its Components



SOURCE: Alexander (1983, Volume 1, p. 3). Reprinted with permission of the author.

The postpositivist conception of science emphasizes the fundamental similarity of the social and physical sciences—both are human attempts to develop and test general statements about the behavior of the empirical world. It rejects both a radical materialist view that espouses that the only reality is a physical one and also the idealist (and postmodernist) view that the only reality exists in the human mind. It also usefully differentiates reality from truth, as Rorty (1989: 4–5) observed:

We need to make a distinction between the claim that the world is out there and the claim that truth is out there. To say that the world is out there, that it is not our creation, is to say, with common sense, that most things in space and time are the effects of causes which do not include human mental states. To say that truth is not out there is simply to say that where there are no sentences there is no truth, that sentences are elements of human languages, and that human languages are human creations.

Social Reality

Although the physical and social sciences share important basic features, it is essential to recognize that the subject matter of the social sciences is distinctive. In John Searle's (1995: 1, 11, 13) terminology, portions of the real world, although treated as "epistemically objective" facts in the world, "are facts only by human agreement." Their existence is "observer-relative": dependent on observers who share a common conception of a given social fact. Social reality is an important subclass of reality.⁸

Social institutions refer to types of social reality that involve the collective development and use of both regulative and constitutive rules. *Regulative* rules involve attempts to influence "antecedently existing activities," and *constitutive* rules "create the very possibility of certain activities" (Searle, 1995: 27). Constitutive rules take the general form: X counts as Y in context C (e.g., an American dollar bill counts as legal currency in the United States). "Institutional facts exist only within systems of constitutive rules" (28). In general, as the label implies, scholars embracing the regulative view of institutions focus primary attention on regulative rules; for example, they assume the existence of actors with a given set of interests and then ask how various rule systems, manipulating sanctions and incentives, can affect the behavior of these actors as they pursue their interests. Cultural-cognitive scholars stress the importance of constitutive rules: They ask what types of actors are present, how their interests are shaped by these definitions, and what types of actions they are allowed to take. Thus, they

thus differ in their ontological assumptions or, at least, in the ontological level at which they work.

Constitutive rules operate at a deeper level of reality creation, involving the devising of categories and the construction of typifications: processes by which "concrete and subjectively unique experiences . . . are ongoingly subsumed under general orders of meaning that are both objectively and subjectively real" (Berger and Luckmann 1967: 39). Such processes are variously applied to things, ideas, events, and actors. Games provide a ready illustration. Constitutive rules construct the game of "football" as consisting of things such as "goal posts" and the "gridiron" and events such as "first downs" and "off-sides" (see D'Andrade 1984). Similarly, other types of constitutive rules result in the social construction of actors and associated capacities and roles; in the football context, the creation of "quarterbacks," "coaches," and "referees." Regulative rules define how the ball may legitimately be advanced or what penalties are associated with what rule infractions. Thus, cultural-cognitive theorists amend and augment the portrait of institutions crafted by regulative theorists. Cultural-cognitive theorists insist that games involve more than rules and enforcement mechanisms: They consist of socially constructed players endowed with differing capacities for action and parts to play. Constitutive rules construct the social objects and events to which regulative rules are applied.

Such processes, although most visible in games, are not limited to these relatively artificial situations. Constitutive rules are so basic to social structure, so fundamental to social life, that they are often overlooked. In our liberal democracies, we take for granted that individual persons have interests and capacities for action. It seems natural that there are "citizens" with opinions and rights (as opposed to "subjects" with no or limited rights), "students" with a capacity to learn, "fathers" with rights and responsibilities, and "employees" with aptitudes and skills. Yet all of these types of actors—and a multitude of others—are social constructions; all depend for their existence on constitutive frameworks, which, although they arose in particular interaction contexts, have become reified in cultural rules that can be imported as guidelines into new situations (see Berger and Luckmann 1967; Gergen and Davis 1985).

Moreover, recognition of the existence of such constitutive processes provides a view of social behavior that differs greatly from lay interpretations or even from those found in much of social science. As Meyer, Boli, and Thomas (1987: 13) argued:

Most social theory takes actors (from individuals to states) and their actions as real, a priori, elements. . . . [In contrast] we see the

"existence" and characteristics of actors as socially constructed and highly problematic, and action as the enactment of broad institutional scripts rather than a matter of internally generated and autonomous choice, motivation and purpose.

In short, as constitutive rules are recognized, individual behavior is seen to often reflect external definitions rather than (or as a source of) internal intentions. The difference is nicely captured in the anecdote reported by Peter Hay (1993: 70):

Gertrude Lawrence and Noel Coward were starring in one of the latter's plays when the production was honored with a royal visit. As Queen Elizabeth entered the Royal Box, the entire audience rose to its feet. Miss Lawrence, watching from the wings, murmured: "What an entrance!" Noel Coward, peeking on tip-toe behind her, added "What a part!"

The social construction of actors also defines what they consider to be their interests. The stereotypic "economic man," which rests at the heart of much economic theorizing, is not a reflection of human nature, but a social construct that arose under specific historical circumstances and is maintained by particular institutional logics associated with the rise of capitalism (see Heilbroner 1985).⁹ From the cultural-cognitive perspective, interests are not assumed to be "natural" or outside the scope of investigation: They are not treated as exogenous to the theoretical framework. Rather, they are recognized as varying by institutional context and requiring explanation.

The social construction of actors and their associated activities is not limited to persons. Collective actors are similarly constituted and come in a wide variety of forms. Naturally, we are particularly interested in the nature of those institutional processes at work in the constitution of organizations, processes considered in chapters 4 and 5.

Parsing Rationality

Theorists make different assumptions regarding how actors make choices: what logics determine social action. As discussed earlier in this chapter and in chapter 1, Weber defined social action so as to emphasize the importance of the meanings individuals attach to their own and other's behavior. For Weber and many other social theorists, "the central question that every social theory addresses in defining the nature of action is whether or not—or to what degree—action is rational"

(Alexander 1983: vol. 1, 72). A more basic question, however, is how rationality is to be defined. Institutional theorists propose a wide range of answers.

At one end of the spectrum, a neoclassical economic perspective embraces an "atomist" view that focuses on an individual actor engaged in maximizing behavior, guided by stable preferences and possessing complete knowledge of the possible alternatives and their consequences. Game-theoretic analysts typically adhere rather closely to this "lean" model of the rational actor (see e.g., Schotter 1986). Embracing a somewhat broader set of assumptions, neoinstitutional analysts in economics and rational-choice theorists in political science (e.g., Moe 1990a; Williamson 1985) utilize Simon's (1945/1997) model of bounded rationality, which presumes that actors are "intendedly rational, but only boundedly so." These versions relax the assumptions regarding complete information and utility maximization as the criterion of choice, while retaining the premise that actors seek "to do the best they can to satisfy whatever their wants might be" (Abell 1995:7). Institutional theorists employing these and related models of individual rational actors are more likely to view institutions primarily as regulative frameworks. Actors construct institutions to deal with collective action problems—to regulate their own and others' behaviors—and they respond to institutions because the regulations are backed by incentives and sanctions.

A strength of these models is that rational-choice theorists have "an explicit theory of individual behavior in mind" when they examine motives for developing and consequences attendant to the formation of institutional structures (Peters 1999: 45; see also Abell 1995). Economic theorists argue that, although their assumptions may not be completely accurate, "many institutions and business practices are designed as if people were entirely motivated by narrow, selfish concerns and were quite clever and largely unprincipled in their pursuit of their goals" (Milgrom and Roberts 1992: 42).

From a sociological perspective, a limitation of employing an overly narrow rational framework is that it "portrays action as simply an adaptation to material conditions"—a calculus of costs and benefits—rather than allowing for the "internal subjective reference of action" that opens up potential for the "multidimensional alternation of freedom and constraint" (Alexander 1983: vol. 1, 74). Another limitation involves the rigid distinction in rational-choice models made between ends, which are presumed to be fixed, and means. Alternative models variously propose that ends are modified by means, that ends emerge in ongoing activities, and even that means can become ends (March and Olsen 1989; Selznick 1949; Weick 1979). In addition, rather than positing a lone individual decision

maker, the sociological version embraces an "organicism rather than an atomist view," such that "the essential characteristics of any element are seen as outcomes of relations with other entities" (Hodgson 1994: 61). Actors in interaction constitute social structures, which in turn constitute actors. The products of prior interactions—norms, rules, beliefs, and resources—provide the situational elements that enter into individual decision making (see the discussion of "structuration" in chap. 4).

A number of terms have been proposed for this broadened view of rationality. As usual, Weber anticipated much of the current debate by distinguishing among several variants of rationality, including *Zweckrationalität*—action that is rational in the instrumental, calculative sense—and *Wertrationalität*—action that is inspired by and directed toward the realization of substantive values (Weber 1924/1968: 24; see also Swedberg 1998: 36). The former focuses on means-ends connections, whereas the latter focuses on the types of ends pursued. Although Weber was inconsistent in his usage of these ideal types, Alexander suggests that they are best treated as analytic distinctions, with actual rational behavior being seen as involving an admixture of the two types. All social action involves some combination of calculation (in selection of means) and orientation toward socially defined values.¹⁰

A related distinction has been proposed by March (1981), who differentiated between a logic of "instrumentalism" and a logic of "appropriateness" (see also March 1994; March and Olsen 1989). An instrumental logic asks, "What are my interests in this situation?" A logic of appropriateness asks, "Given my role in this situation, what is expected of me?" The latter conception stresses the normative pillar, where choice is seen to be grounded in a social context and oriented by a moral framework that takes into account one's relations and obligations to others in the situation. A logic of appropriateness replaces or sets limits on individualistic instrumental behavior.

Cultural-cognitive theorists emphasize the extent to which behavior is informed and constrained by the ways in which knowledge is constructed and codified. Underlying all decisions and choices are socially constructed models, assumptions, and schemas. All decisions are admixtures of rational calculations and nonrational premises. At the microlevel, DiMaggio and Powell (1991: 22) propose that a recognition of these conditions provides the basis for what they term a theory of *practical* action. This conception departs from a "preoccupation with the rational, calculative aspect of cognition to focus on preconscious processes and schema as they enter into routine, taken-for-granted behavior." At the same time, it eschews the individualistic, asocial assumptions associated with the narrow rational perspective to emphasize

the extent to which individual choices are governed by normative rules and embedded in networks of mutual social obligations.

Langlois (1986b: 237) proposed that the model of an intendedly rational actor needs to be supplemented by a model of the actor's "situation," which includes, importantly, relevant social institutions. Institutions provide an informational-support function, serving as "interpersonal stores of coordinative knowledge." Such common conceptions enable the routine accomplishment of highly complex and interdependent tasks, often with a minimum of conscious deliberation or decision making. Analysts are enjoined to "pay attention to the existence of social institutions of various kinds as bounds to and definitions of the agent's situation" (252). Langlois encouraged us to broaden the neoclassical conception of rational action to encompass reasonable action, a conception that allows actors to "prefer more to less [of] all things considered," but also that allows for "other kinds of reasonable action in certain situations," including rule-following behavior (252). Social action is always grounded in social contexts that specify valued ends and appropriate means; action acquires its very reasonableness from taking into account these social rules and guidelines for behavior.

Emerging work involves an attempt to resurrect and update pragmatism, a theory promulgated during the late 19th and early 20th centuries by some of America's most ingenious social philosophers and social scientists, including Oliver Wendell Holmes, William James, Charles Peirce, and John Dewey. Among their central tenants were that (a) "ideas are not 'out there,' waiting to be discovered, but are tools . . . that people devise to cope with the world in which they find themselves"; and (b) ideas are produced "not by individuals, but by groups of individuals—that ideas are social, . . . dependent . . . on their human carriers and the environment" (Menand 2001: xi). Indeed, as Strauss (1993: 72) reminds us:

In the writings of the Pragmatists we can see a constant battle again the separating, dichotomizing, or opposition of what Pragmatists argued should be joined together: knowledge and practice, environment and actor, biology and culture, means and ends, body and mind, matter and mind, object and subject, logic and inquiry, lay thought and scientific thought, necessity and chance, cognitive and noncognitive, art and science, values and action.

Ansell (2005) suggests that pragmatists favored a model of decision making that could be characterized as "practical reason"—recognizing that people make decisions in "situationally specific contexts," drawing

on their past experiences and influenced by their emotions as well as their reason. Reflecting on the insights of the pragmatists, Cohen (2007) criticizes Simon for his rigid separation of fact and values and for building his model of bounded rationality by privileging the role of cognition while neglecting the importance of habit and emotion.

In summary, contemporary theorists not only select different pillars to support their versions of institutional structure, but these pillars are constructed from varying types of ontological rules and make different assumptions about how best to account for social behavior.

❖ CONCLUDING COMMENT

Although it is possible to combine the insights of economic, political, and sociological analysts into a single, complex, integrated model of an institution, I believe it is more useful at this point to recognize the differing assumptions and emphases that accompany the models currently guiding inquiry into these phenomena. Three contrasting models of institutions are identified—the regulative, normative, and cultural-cognitive—although it is not possible to associate any of the disciplines uniquely with any of these proposed models. We find researchers in each discipline emphasizing one or another of the pillars. The models are differentiated such that each identifies a distinctive basis of compliance, mechanism of diffusion, type of logic, cluster of indicators, affective response, and foundation for legitimacy claims.

Although at a superficial level it appears that social analysts are merely emphasizing one or another of the multiple facets of institutional arrangements, a closer examination suggests that the models are aligned with quite profound differences in the assumptions made about the nature of social reality and the ways in which actors make choices in social situations. Two sources of continuing controversy are identified. First, analysts disagree as to whether to attend primarily to regulative rules as helping to structure action among a given set of actors with established interests or to instead give primacy to constitutive rules, which create distinctive types of actors and related modes of action. Second, institutions have become an important combat zone in the broader, ongoing disputation within the social sciences centering on the utility of rational-choice theory for explaining human behavior. Are we to employ a more restricted, instrumental logic in accounting for the determinants and consequences of institutions or is it preferable to posit a broader, more socially embedded logic? There is no sign of a quick or easy resolution to either of these debates.

❖ NOTES

1. This integrated model of institutions is elaborated in Scott (1994b).
2. Not all analysts share this belief. In a rather abrasive critique of an earlier presentation of this argument [*Institutions and Organizations*, 1st ed., 1995], Hirsch (1997: 1704) pointed out that my approach runs the risk of enforcing a "forced-choice" selection of one element as against another, rather than recognizing the reality that all institutional forms are composed of multiple elements. Such is not my intent. I willingly accede to the multiplex nature of institutional reality while insisting on the value of identifying analytic concepts, which, I believe, will aid us as we attempt to sort out the contending theories and interrelated processes. Far from wishing to "rule out" or "discourage" interpillar communication" or to make the "cross-fertilization of ideas unusual and unlikely," as Hirsch (1997: 1709) alleged, my intent in constructing this analytic scheme is to encourage and inform such efforts.
3. In his most recent work, however, North (2005: chap. 3) greatly expands his interest in and attention to cultural-cognitive facets of institutions.
4. For an extended discussion, see Scott and Davis (2007: 22–24 and chaps. 2 and 3).
5. Note the similarity of these conceptions to Bourdieu's concept of "habitus," discussed in chapter 2.
6. Schutz (1932/1967: 176–207) analyzed this process at length in his discussion of "the world of contemporaries as a structure of ideal types."
7. Related typologies of the varying bases of legitimacy have been developed by Stryker (1994, 2000) and Suchman (1995b).
8. Searle's framework is, hence, a moderate version of social constructionism. This more conservative stance is signaled by the title of his book, *The Construction of Social Reality*, which differs markedly from the broader interpretation implied by the title of Berger and Luckmann, *The Social Construction of Reality*.
9. As succinctly phrased by the economic historian, Shonfield (1965: 71): "Classical economics, which was largely a British invention, converted the British experience . . . into something very like the Platonic idea of capitalism."
10. Famously, Weber (1906–1924/1946: 280) captured this combination of ideas and interests in his "switchman" metaphor:

Not ideas, but material and ideal interests directly govern men's conduct. Yet very frequently the "world images" that have been created by "ideas" have, like switchmen, determined the tracks along which action has been pushed by the dynamics of interests.