The Adolescence of Institutional Theory

W. Richard Scott
Stanford University

To compare and contrast institutional theories used in organizational analysis, the theoretical frameworks and arguments of leading contributors to institutional theory are reviewed and recent empirical studies using institutional arguments are examined. Both approaches reveal considerable variation in the types of concepts and arguments employed, and it is argued that further improvement and growth in institutional theory is dependent upon analysts dealing more explicitly with these differences. In addition, the relation between institutions and interests is explored to show that institutional features of organizational environments shape both the goals and means of actors. Attention is called to the two primary types of actors shaping institutional environments in modern societies—the state and professional bodies—and to the way in which their interests and mode of action shape institutional patterns and mechanisms.•

After a period of rapid growth and high creative energy, institutional theory in organizations has apparently entered a phase of more deliberate development, accompanied by efforts aimed at self-assessment and consolidation. Recently, several prominent institutional theorists—including DiMaggio (1988) and Zucker (1987)—have momentarily suspended their efforts to expand the variety and scope of institutional arguments and/or devise new data sets and tests, in order to step back and take stock of the progress of this new perspective to date. This paper is in that same contemplative and critical vein.

To examine contemporary institutional analysis, I review both influential theoretical statements and recent empirical work. The latter is surveyed in order to gather more inductive evidence about the types of arguments that are currently being made in linking institutional factors to organizational structure and performance.

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THE MANY FACES OF INSTITUTIONAL THEORY

The concepts of institution and institutionalization have been defined in diverse ways, with substantial variation among approaches. Thus, the beginning of wisdom in approaching institutional theory is to recognize at the outset that there is not one but several variants. Some versions are much more carefully defined and explicit about their definitions and referents, while others are less clear in conceptualization. Although there seems to be an underlying similarity in the various approaches, there is little agreement on specifics.

Without claiming to be definitive or exhaustive, but rather as a way of illustrating the present variety of offerings available to scholars of organizations, I briefly review four sociological formulations all claiming an institutional focus.[1] The review proceeds generally from the earlier to the more recent conceptions.

Institutionalization As a Process of Instilling Value

One of the earliest and most influential versions of institutional theory in organizations remains that associated with the work of Philip Selznick and his students. Selznick borrowed from Michels and Barnard in creating his somewhat distinc-

[1] Excluded from review are related developments in political science (e.g., March and Olsen, 1984) and in economics (e.g., Williamson, 1981, 1985). These variants both draw on and depart from sociological work in ways too complex to consider in this essay.

tive model of institutional theory (Scott, 1987: 51–68). He viewed organizational structure as an adaptive vehicle shaped in reaction to the characteristics and commitments of participants as well as to influences and constraints from the external environment. Institutionalization refers to this adaptive process: "In what is perhaps its most significant meaning, 'to institutionalize' is to *infuse with value* beyond the technical requirements of the task at hand" (Selznick, 1957: 17). Anticipating later work, Selznick distinguished between organizations as technically devised instruments, as mechanical and disposable tools, and organizations that have become institutionalized, becoming valued, natural communities concerned with their own self-maintenance as ends in themselves:

> . . . organizations are technical instruments, designed as means to definite goals. They are judged on engineering premises; they are expendable. Institutions, whether conceived as groups or practices, may be partly engineered, but they also have a "natural" dimension. They are products of interaction and adaptation; they become the receptacles of group idealism; they are less readily expendable. (Selznick, 1957: 21–22)

Selznick's institutional approach also emphasized the importance of history—the "natural history" of the evolution of a living form that is adaptively changing over time, and he stressed a holistic and contextual approach. As Perrow (1986: 157–158) noted:

> For institutional analysis, the injunction is to analyze the whole organization. To see it as a whole is to do justice to its "organic" character. Specific processes are, of course, analyzed in detail, but it is the nesting of these processes into the whole that gives them meaning.

Selznick's distinctive brand of institutional theory was applied by him to the analysis of the Tennessee Valley Authority public corporation and by his students—including, most notably, Burton Clark, Charles Perrow, and Mayer Zald—to a number of educational, service, and voluntary organizations. The typical research methodology is that of the case study, with an emphasis on adaptive change.

At the risk of oversimplifying Selznick's rather complex views, his primary emphasis appears to have been on institutionalization as a means of instilling value, supplying intrinsic worth to a structure or process that, before institutionalization, had only instrumental utility. By instilling value, institutionalization promotes stability: persistence of the structure over time.

Selznick (1957: 16) clearly viewed institutionalization as a "process," as something "that happens to the organization over time." He observed the extent of institutionalization to vary across organizations—for example, those with more specific goals and those more specialized and technical in operation were seen to be less subject to becoming institutionalized than those lacking these features. In his early, more descriptive work, Selznick emphasized the cressive, unplanned, and unintended nature of institutional processes (e.g., Selznick, 1949). By contrast, in his later, more prescriptive writings, following the lead of Barnard (1938), he embraced an "enacted" conception, emphasizing that effective leaders are able to define and defend the organization's institutional values—its distinctive mission (e.g., Selznick, 1957).

The institutionalization process was viewed as being subject to conscious design and intervention.

Nevertheless, Selznick's conception remains largely definitional rather than explanatory: he defined and described the process but did not explicitly account for it. His treatment of institutionalization informs us *that* values are instilled; not *how* this occurs.

Institutionalization As a Process of Creating Reality

Both the second and the third versions of institutional theory are heavily indebted to the work of Peter Berger in the sociology of knowledge. This work is based on philosophical underpinnings established by German idealists and phenomenologists such as Dilthey and Husserl and strongly shaped by the ideas of Alfred Schutz (1962). The most complete and influential statement of Berger's ideas on institutionalization is to be found in the work coauthored with Luckmann in which the central question addressed is, What is the nature and origin of social order?

The argument is that social order is based fundamentally on a shared social reality which, in turn, is a human construction, being created in social interaction. It is recognized that man or woman as a biological organism confronts few limits or constraints in the form of instinctual patterns, yet constraints develop in the form of a social order. Berger and Luckmann (1967: 52) argued that this order "is a human product, or, more precisely, an ongoing human production. It is produced by man in the course of his ongoing externalization. . . . Social order exists *only* as a product of human activity." Social order comes into being as individuals take action, interpret that action, and share with others their interpretations. These interpretations, or "typifications" are attempts to classify the behavior into categories that will enable the actors to respond to it in a similar fashion. The process by which actions become repeated over time and are assigned similar meanings by self and others is defined as institutionalization: "Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors" (Berger and Luckmann, 1967: 54). Both actions and actors are typed: certain forms of actions come to be associated with certain classes of actors; e.g., supervisors give orders, workers follow them.

Like Selznick, Berger and Luckmann (1967: 54–55) emphasized the necessity of employing an historical approach:

> Reciprocal typifications of action are built up in the course of a shared history. They cannot be created instantaneously. Institutions always have a history, of which they are the products. It is impossible to understand an institution adequately without an understanding of the historical process in which it was produced.

As explicated by Berger and Luckmann, institutionalization involves three phases or "moments": externalization, objectivation, and internalization. We and our associates take action (externalization), but we together interpret our actions as having an external reality separate from ourselves (objectivation); further, the objectivated world is internalized by us, coming to "determine the subjective structures of consciousness itself" (internalization) (Wuthnow et al., 1984: 39). Each moment corresponds to "an essential characterization of the social world. *Society is a human product. Society is an objec-*

tive reality. Man is a social product'' (Berger and Luckmann, 1967: 61). Together they comprise the paradox ''that man is capable of producing a world that he then experiences as something other than a human product'' (Berger and Luckmann, 1967: 61).

This quite general conception serves as the foundation for the work of both Zucker and of Meyer and Rowan—theorists who have developed and applied these ideas to the analysis of organizational forms. Berger and Luckmann's formulation is clearly visible in the definitions they employ as the basis of their own work. Thus, Zucker (1977: 728) asserted that

> institutionalization is both a process and a property variable. It is the process by which individual actors transmit what is socially defined as real and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality. Institutionalized acts, then, must be perceived as both *objective* and *exterior.*

Meyer and Rowan (1977: 341) in their influential article on institutionalized organizations also embraced Berger and Luckmann's conception:

> Institutionalized rules are classifications built into society as reciprocated typifications or interpretations (Berger and Luckmann, 1967, p. 54). . . . Institutionalization involves the processes by which social processes, obligations, or actualities come to take on a rulelike status in social thought and action.

The common feature in all of these definitions is that institutionalization is viewed as the social *process* by which individuals come to accept a shared definition of social reality—a conception whose validity is seen as independent of the actor's own views or actions but is taken for granted as defining the ''way things are'' and/or the ''way things are to be done.''

Still, these definitions are very general, pertaining to the construction of social reality—and, hence, stable social order—in all its various guises, not to features conducive to the rise of formal organizations in particular. In subsequent work, however, Berger and other collaborators attempted to characterize the distinctive set of beliefs associated with the development of societal modernization. In an important work that has not received the attention it merits, Berger, Berger, and Kellner (1973) argued that modern consciousness is shaped by the set of interconnected belief systems associated with the development of (1) technological production, (2) bureaucracies, and (3) the pluralization of life-worlds (e.g., the differentiation of public and private spheres). These belief systems and their associated cognitive styles both develop out of and independently cause the further spread of ''rational'' economic, political, and social organizations.

Zucker (1983: 1) echoed and elaborated this view of organization as an institutional form or, more compellingly, as ''the preeminent institutional form in modern society.'' And Meyer and Rowan (1977) placed great emphasis on societal modernization as being accompanied by the growth of ''rationalized institutional elements'' or ''rational myths'' that give rise to an increasing number of organizations as well as to the elaboration of existing organizational forms.

In Zucker's work, the emphasis on institutionalization as pro-

cess has continued to dominate. The force of these models is in the cognitive convictions they evoke:

> . . . institutionalization is rooted in conformity—not conformity engendered by sanctions (whether positive or negative), nor conformity resulting from a "black-box" internalization process, but conformity rooted in the taken-for-granted aspects of everyday life. . . . institutionalization operates to produce common understandings about what is appropriate and, fundamentally, meaningful behavior. (Zucker, 1983: 5)

Her empirical work includes laboratory research demonstrating that subjects' behavior is much more likely to be stable and conform to the requirements imposed by other actors if the latter are perceived to occupy a position in an organization: "Any act performed by the occupant of an office is seen as highly objectified and exterior" (Zucker, 1977: 728). It also includes field studies of the process by which civil service reforms were diffused through a set of municipal governments during the period 1880–1935 (Tolbert and Zucker, 1983). While early adopters of these reforms were argued to be acting in rational self-interest—city characteristics predicted early adoption—later adopters were argued to be acting in response to the established legitimacy of these institutional practices—reforms were adopted by more and more cities regardless of their specific demographic or political makeup.

In Zucker's approach, the focus is on a single pattern or mode of organizational behavior and the emphasis is placed on the rationale for or nature of the process underlying adoption of or conformity to the pattern. By contrast, the work of Meyer and his collaborators has evolved in a somewhat different direction. Beginning with his seminal article with Rowan (Meyer and Rowan, 1977), Meyer began to develop an alternative conception. From a primary focus on institutionalization as a distinctive process—whether stressing infusion with value or with taken-for-granted meaning—institutionalization began to be viewed as pertaining to a distinctive set of elements.[2]

Institutional Systems As a Class of Elements

In this version of institutional theory it is emphasized that institutionalized belief systems constitute a distinctive class of elements that can account for the existence and/or the elaboration of organizational structure. This emphasis can be dated from Meyer and Rowan's (1977) argument that the prevalence of organizational forms can be attributed not only to the complexity of "relational networks" and exchange processes but also to the existence of elaborated "rational myths" or shared belief systems. The emphasis shifts from the properties of generalized belief systems to the existence of a variety of sources or loci of "rationalized and impersonal prescriptions that identify various social purposes" and "specify in a rulelike way the appropriate means" to pursue them (Meyer and Rowan, 1977: 343). These sources are described as institutionalized in that their existence and efficacy is "in some measure beyond the discretion of any individual participant or organization" (Meyer and Rowan, 1977: 344).

A number of important changes are introduced by this shift in emphasis. First, the salient features of organizational environments are reconceptualized. In contrast to the prevailing

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For a thoughtful and forceful discussion of the virtues of the process/property conception of institutionalization/institution, see Jepperson (1987).

theories of organizational environments—such as contingency theory or resource dependence—that call attention primarily to technical requirements, resource streams, information flows, and influence relations, the new formulation stresses the role played by cultural elements—symbols, cognitive systems, normative beliefs—and the sources of such elements. Institutional elements of environments begin to be defined in contrast to technical elements, and this definition becomes more explicit and pronounced over time. Thus, Scott and Meyer (1983: 140, 149) defined technical environments as "those within which a product or service is exchanged in a market such that organizations are rewarded for effective and efficient control of the work process," in contrast to institutional environments that "are characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy. . . ."

Second, it follows that there is less emphasis on institutionalization as a distinctive process. Organizations do not necessarily conform to a set of institutionalized beliefs because they "constitute reality" or are taken for granted, but often because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities (Meyer and Rowan, 1977). Since the concept of institutionalization is not definitionally linked to a distinctive process, analysts begin to theorize more explicitly about the variety of types of processes that might cause an organization to change its structure in ways that make it conform to—become isomorphic with—an institutional pattern. The best-known classification of this type is that developed by DiMaggio and Powell (1983) who distinguished among coercive, memetic, and normative processes leading to conformity. None of these classes, however, is consistent with the previous process-based definition of institutionalization; that is, none focuses specifically on conformity based on the extent to which the model being adopted is taken for granted.

Third, with less attention devoted to process, more can be given to the nature of the belief systems themselves. In their formal propositions, Meyer and Rowan theorized about the general effects of rationalized institutional structure as though there were only one such structure, but with their concept of rational myths and through the use of many and diverse examples—public opinion, educational systems, laws, courts, professions, ideologies, regulatory structures, awards and prizes, certification and accreditation bodies, governmental endorsements and requirements—they underscored the multiplicity and diversity of institutional sources and belief systems found in modern societies. Following this insight, more recent work has moved away from a conception of *the* institutional environment to one of multiple institutional environments (DiMaggio and Powell, 1983; Meyer and Scott, 1983).

Fourth, there is the recognition that, in modern, rationalized societies, the forms and sources of social beliefs and other types of symbolic systems have themselves become more rationalized: folkways and traditions and customs give way to laws, rules, and regulations; and elders' councils and other forms of traditional authority are replaced by the nation-state,

the professions, and rationalized systems of law. Thus, this version of institutional theory tends to shift attention away from such environmental elements as the market, the location of resources and customers, and the number and power of competitors, in order to call attention to the role of other types of actors, such as the state and professional associations, that shape organizational life both directly by imposing constraints and requirements and indirectly by creating and promulgating new rational myths.

Finally, with the shift to a focus on symbolic aspects of environments and their sources, this version of institutional theory has both contributed to and benefited from the resurgence of interest in culture. Thus, this institutional theory provides a bridge for students of organizations to link to the insightful work of Berger, Bourdieu, Douglas, Foucault, Geertz, and Wuthnow, to name only some of the leading contributors to the "new" cultural approaches.

Institutions As Distinct Societal Spheres

A fourth conception of institution embraces the idea just described of diversity among belief systems and links it with the early, traditional view of social institutions found in general sociology. As conventionally defined, social institutions refer to relatively enduring systems of social beliefs and socially organized practices associated with varying functional arenas within societal systems, e.g., religion, work, the family, politics. In most of these traditional definitions, social institutions are viewed as both symbolic—cognitive and normative—systems and behavioral systems, and strong emphasis is given to persistence and stability as a key defining characteristic. For example, in his early, influential discussion, Hughes (1939: 283–284) noted:

> More commonly the term *institution* is applied to those features of social life which outlast biological generations or survive drastic social changes that might have been expected to bring them to an end. . . . [There exists] a tendency of human beings to get set in their ways. Other animals undoubtedly show a similar tendency, but man alone transmits to future generations a great number of his acquired ways of behaving. He alone gives reasons for his ways, makes a virtue of them and glorifies them for their antiquity.

Hughes also anticipated Selznick's views on institutionalization as a source of value independent of instrumental utility:

> A ceremony may be celebrated by people who no longer know its origin and would repudiate its first meaning if they but knew it. A once technically useful means of achieving some known end persists as an accepted and even sacred practice after better technical devices have been invented. (Hughes, 1939: 283)

Hertzler's (1961: 81) discussion of social institutions has also had influence, and he stressed the theme of persistence in stating, "The institutions of a society have a high degree of stability and function as the major mechanisms for social continuity." Hertzler (1961: 84) also placed great importance on the external and overdetermined nature of institutional patterns:

> Especially important is the fact that they are organized, that is, established, regularized, chartered, endorsed, and enforced, and hence made predictable and effective in all of the common or recurrent relational-functional situations.

But finally, embedded in all of the early treatments, there was the structural-functional assumption that basic needs or survival requisites were set and that the differentiation of institutional spheres constituted an adaptive societal response to these requirements. Institutional analysis consisted of describing these different social structures—for example, much attention was given to the varying beliefs and practices in the conduct of family life as compared to economic pursuits—and linking them to a specified set of social requirements.

In a recent paper, Friedland and Alford (1987) proposed that this relatively neglected conception of societal structure can usefully be revived, with some revision. As a starting point, they asserted that the notion of society comprising differentiated societal spheres containing different belief systems and defining different types of social relations is both correct and useful. Moreover, they insisted that it is essential to introduce substantive content into any discussion of institutions. Different institutional spheres call up different belief systems. For example,

> The institutional logic of capitalism is accumulation and the commodification of human activity. That of the state is rationalization and the regulation of human activity by legal and bureaucratic hierarchies. . . . That of the family is community and the motivation of human activity by unconditional loyalty to its members and their welfare. . . . (Friedland and Alford, 1987: 36)

Friedland and Alford emphasized the importance of differentiated institutional spheres with varying substantive content but did not take on the question as to why such differentiation occurs.

The aspect of early institutional arguments to which Friedland and Alford took exception is the assumption—one that frequently accompanies such functionalist models—of normative integration or institutional coherence. They suggested that there is no necessary harmony among various institutional complexes. Moreover, there may not be consensus within a given society regarding which beliefs are appropriate for what types of activities. Any given activity—the carrying on of productive work, the attempt to govern—can have multiple meanings and can be the focus of conflicting and contradictory institutional definitions and demands:

> Some of the most important struggles between groups, organizations and classes are over the appropriate relation between institutions, and by which institutional logic different activities should be regulated and to which categories of persons they apply. Are access to housing and health to be regulated by the market or by the state? Are families, churches or states to control education? Should reproduction be regulated by state, family or church? (Friedland and Alford, 1987: 32–33)

Thus, this version of institutional theory focuses attention on the existence of a set of differentiated and specialized cognitive and normative systems—institutional logics—and patterned human activities that arise and tend to persist, in varying form and content, in all societies. These logics and behaviors constitute repertoires that are available to individuals and organizations to employ in pursuit of their own interests (cf. Swidler, 1986). In this view, an important part of the social analyst's agenda is not only to determine which organizations come to adopt which beliefs and practices but

also "to study why the institutional arenas are patterned in the way that they are or the conditions under which new institutional forms develop" (Friedland and Alford, 1987: 18).

To approach the latter issue requires both a greater attention to content—to examining the varying substantive beliefs and behaviors associated with different institutional spheres—as well as the explicit adoption of a societal level of analysis to supplement the current work now underway at the organizational level of analysis (for a related analytical framework and agenda, cf. Burns and Flam, 1986).

It should be clear from the four versions of institutional theory reviewed that while there are some basic recurring themes, there nevertheless exists much variation among contemporary institutional theories of organizations. When someone announces that he or she is conducting an institutional analysis, the next question should be, Using which version?

THE MULTIPLE FORMS OF INSTITUTIONAL EXPLANATION

In recent empirical studies, organizational investigators have invoked institutional arguments in order to explain features of organizational structure. While there is little disagreement among such analysts that institutional elements affect the structural characteristics of organizations, a review of the current literature suggests that there is little agreement as to how and why and where—in what parts of the structure—such effects occur. While I did not attempt to conduct a comprehensive survey or construct a complete listing, my reading of the recent empirical studies has identified seven different accounts of structural influence. The accounts vary in one or more respects: (1) what types of institutional elements are singled out for attention; (2) what influence or causal mechanisms are identified; and (3) what aspects of organizational structure are affected. My categorization scheme placed major emphasis on the causal arguments. My object is not to determine which of these accounts is more or less "institutional" in character but only to call attention to the fact that, at least at present, institutional explanations are not all of a piece.

The Imposition of Organizational Structure

Some institutional sectors or fields contain environmental agents that are sufficiently powerful to impose structural forms and/or practices on subordinate organizational units. Nation-states do this when mandating by law changes in existing organizational forms or when creating a new class of administrative agencies. Corporations routinely do this, for example, when structural changes are imposed on companies that have been acquired or when existing subsidiaries are reorganized. DiMaggio and Powell (1983) referred to this type of influence as coercive, but it may be useful to employ more fine-grained distinctions. For example, under the category of imposition, it seems useful to distinguish between two subtypes: imposition by means of authority vs. imposition by means of coercive power. We would expect changes in structural forms imposed by authority to meet with less resistance, to occur more rapidly (see Tolbert and Zucker, 1983, on the diffusion of municipal reforms in those states that

adopted them for all cities), and to be associated with higher levels of compliance and stability than those imposed by force. The structural changes should also be less superficial and loosely coupled to participants' activities than those imposed by coercive power.

While institutionalists share with others—e.g., resource dependency theorists—an interest in power processes, an institutional perspective gives special emphasis to authority relations: the ability of organizations, especially public organizations, to rely on legitimate coercion (cf. Streeck and Schmitter, 1985).

The Authorization of Organizational Structure

A related but distinct type of institutional mechanism involves the authorization or legitimation of the structural features or qualities of a local organizational form by a superordinate unit. The feature that distinguishes this mode from the case of imposition is that the subordinate unit is not compelled to conform but voluntarily seeks out the attention and approval of the authorizing agent. As DiMaggio and Powell (1983) noted, this type of normative pressure is especially likely to be found in professional sectors and organizations. Thus, voluntary hospitals in the U.S. are not required as a condition of their operation to receive accreditation from the Joint Commission on Accreditation of Hospitals, but most find it in their own interests to seek out such legitimation. In their study of the population of voluntary social service agencies operating in Toronto, Canada during the period 1970–1980, Singh, Tucker, and House (1986) measured such authorization mechanisms as being listed in the *Community Directory of Metropolitan Toronto* and receipt of a charitable registration number issued by Revenue Canada. Such voluntarily sought indicators were treated as signifying "external legitimacy"—as indicating that the organizations listed had been "endorsed by powerful external collective actors" (Singh, Tucker, and House, 1986: 176). Their analyses provide strong evidence that the receipt of such endorsements was associated with improved life chances: listed organizations showed significantly higher survival rates than those that were unlisted over the period surveyed.

I use the term "authorization" in this context in order to connect this mechanism directly with an earlier treatment of authority norms. In discussing the sources of authority, Dornbusch and Scott (1975: 56–63) defined "authorization" as the process by which norms supporting the exercise of authority by a given agent are defined and enforced by a superordinate unit. Authority is legitimated power; legitimated power is normatively regulated power. When an organization's power is "authorized" it is, presumptively, supported and constrained by the actions of officials superior to it and in a position to oversee its appropriate use.

In many arenas there are multiple possible sources of authorization. Organizations must determine to which, if any, external sponsors to connect. There are often costs as well as gains associated with such choices. Organizations may have to modify their structures and/or activities in various ways in order to acquire and maintain the support of external agents; and, at a minimum, they must provide information and access

to the representatives of these bodies. The frequent occurrence of authorization processes across a wide variety of sectors, however, suggests that, for many types of organizations, the gains associated with these external connections far outweigh the costs.

The Inducement of Organizational Structure

Many institutional sectors lack agents with power or authority to impose their own structural definitions on local organizational forms, but they may be in a position to provide strong inducements to organizations that conform to their wishes. Relatively weak nation-states, like the U.S., often resort to such market-like control tactics because they lack the authority to impose their programs on subordinate units, especially when the subordinate units are lodged in a different tier of the federalist "cake" from the control agent. For example, the U.S. government frequently is able to obtain control over funding streams within a given societal sector such as education or health care but lacks authority over programmatic elements, which remain under the control of local organizational officials or assorted professions (Scott, 1982; Meyer, 1983; Scott and Meyer, 1983).

Inducement strategies create structural changes in organizations and organizational fields by providing incentives to organizations that are willing to conform to the agent's conditions. Typically, the funding agent specifies conditions for remaining eligible for continuation of funding or reimbursement for work performed. Usually the recipient organization must provide detailed evidence concerning continuing structural or procedural conformity to requirements—accounts of who performed the work; how the work was performed; on whom the work was performed—in the form of periodic reports. Complex accounting control systems are employed because more straightforward command-and-compliance authority is lacking.

DiMaggio's (1983) study of the effects of controls exercised by the National Endowment for the Arts (NEA) provides a carefully researched example of this type of influence strategy. This study, along with a second conducted by Meyer, Scott, and Strang (1987) on federal funding of educational programs, points to important effects of this approach, in particular, to *where* the structural changes are most likely to occur. Inducement strategies create increased organizational isomorphism (structural similarity), but more so at the intermediate than the operative organizational field level. The major effects reported by DiMaggio were on the states' arts councils—their existence, form and functions being specified by NEA as a condition for eligibility of states for funding—rather than on the arts organizations themselves. Similarly, the major effects of federally funded programs we observed in our research on educational systems were to be found at the level of the several states' educational agencies and the district office level rather than at the level of the local school—although such programs were designed to influence the behavior of school teachers, not district and state administrators (Meyer, Scott, and Strang, 1987).

For a great many reasons, organizational structures created by inducements are unlikely to have strong or lasting effects

on the organizational performance they are intended to affect. Usually, they constitute only one of many funding streams on which the organization relies to sustain its performance, and organizational participants seem to have a strong aptitude for co-mingling funds from various sources in carrying on their operations in pursuit of organizationally defined purposes (Sproull, 1981). The funding agent's distinctive purposes are more likely to be reflected in the preparation of organizational "accounts"—both fiscal and retrospective reporting—than in the performance of workers. An additional explanation of the weakness of inducement strategies is suggested by the social psychological literature that reports that internal motivation and commitment are weakened, not reinforced, by the use of external incentives (Deci, 1971; Staw et al., 1980).

Like imposition, the utility of inducement processes is emphasized by a variety of organizational theories. Institutional theorists differ primarily in stressing the somewhat unexpected importance of these mechanisms for governmental units.

The Acquisition of Organizational Structure

Probably the influence process most widely studied by institutional analysts has involved the acquisition—the deliberate choosing—of structural models by organizational actors. Whether because of memetic or normative mechanisms (DiMaggio and Powell, 1983), organizational decision makers have been shown to adopt institutional designs and attempt to model their own structures on patterns thought to be, variously, more modern, appropriate, or professional.

In analyses by Tolbert and Zucker (1983) of municipal agencies' adoption of civil service reforms and by Fligstein (1985) of the spread of multidivisional forms among large U.S. corporations, the diffusion of a novel organizational pattern is shown to spread across a field of similar, autonomous organizations. When a new structural pattern is voluntarily adopted by organizational managers—in contrast to the situations described above in which the major impetus for the change comes from outside the organization—then analysts must attempt to rule out an obvious competing explanation: that the changes are embraced for efficiency reasons—because they are expected to improve technical performance. This is easier said than done. The approaches employed to date are indirect, and the results are subject to varying interpretations. For example, as noted above, Tolbert and Zucker argued that "internal," e.g., demographic, characteristics of cities predicted adoption of civil service reforms in earlier but not later periods, asserting that the former officials were driven by rational motives (an interest in excluding immigrants and improving control), while later adoptors were motivated by conformity pressures or a concern to appear up-to-date. However, it could well be that later city officials confronted different types of governance issues—giving rise to a different set of internal problems—to which civil service reform was viewed as a rational solution.

In comparison with imposed or induced structural changes, one would expect acquired changes to be less superficial. Organizational managers should be more committed to them and in a better position than external agents to encourage

their adoption and implementation or, if necessary, to inspect and enforce conformity to them.

The Imprinting of Organizational Structure

While there have been relatively few empirical studies of imprinting—the process by which new organizational forms acquire characteristics at the time of their founding that they tend to retain into the future—this phenomenon has been much discussed since it was first described by Stinchcombe (1965).

In his original essay, Stinchcombe (1965: 153–164) offered illustrative evidence concerning the imprinting process by noting how the basic features of various industries—the characteristics of the labor force, establishment size, capital intensity, relative size of the administrative bureaucracy, relative size of staff vs. line personnel, and proportion of professionals within the administration—varied systematically by time of founding. In a later study, Kimberly (1975) showed that the type of program, staffing, and structures employed within a population of rehabilitation organizations varied according to when the units were created.

The mechanism posited to account for these results seems highly consistent with the views of those theorists who see institutionalization as a process entailing the creation of reality. It embodies their central argument that organizations acquire certain structural features not by rational decision or design but because they are taken for granted as "the way these things are done." That this form is taken for granted is then argued to be an important basis for its persistence over time.

The Incorporation of Organizational Structure

In their own broad version of "neo-institutional" theory, March and Olsen (1984) pointed out that everything that happens is not necessarily intended, that every outcome is not the result of a conscious decision process. This general argument helps to account for some of the effects of institutional environments I and my colleagues have attempted to describe in a number of recent studies (Meyer and Scott, 1983; Scott and Meyer, 1987; Meyer et al., 1988).

It is a well-known proposition in open systems theory that organizations will tend to map the complexity of environmental elements into their own structures (Buckley, 1967). We have pursued empirically a specific instance of this prediction: that "organizations operating in more complex and conflicted environments will exhibit greater administrative complexity and reduced program coherence" (Scott and Meyer, 1987: 129). To test this argument, we have focused research attention on the organization of societal sectors that are both centralized and fragmented—a situation, we argue, that creates disproportional administrative complexity in local organizations attempting to relate to them (see also Meyer and Scott, 1983).

The argument here is not that environmental agents, by power and/or authority, always require administrative development, nor is it that environmental agents necessarily provide incentives for administrative elaboration, nor is it that organizational managers always consciously decide to add

components to their administrative structures in order to deal more effectively with a differentiated environment, although any or all of these processes may be involved. Rather, it is that via a broad array of adaptive mechanisms occurring over a period of time and ranging from co-optation of the representatives of relevant environmental elements to the evolution of specialized boundary roles to deal with strategic contingencies, organizations come to mirror or replicate salient aspects of environmental differentiation in their own structures. They incorporate environmental structure.

This type of institutionalization process, in which organizational structure evolves over time through an adaptive, largely unplanned, historically dependent process, is perhaps most consistent with Selznick's version of institutionalization theory.

The Bypassing of Organizational Structure

Yet another view of the relation between institutional environments and organizational structure developed out of our research on schools. We have proposed that, in important respects, much of the orderliness and coherence present in American schools is based on institutionally defined beliefs rather than on organizational structures (Meyer, Scott, and Deal, 1981).

Of course, it is the case for schools, as virtually all of the arguments summarized up to this point assert, that institutional beliefs, rules, and roles come to be coded into the structure of educational organizations. Thus, as Meyer and Rowan (1978: 96) argued:

> In modern society . . . educational organizations have good reasons to tightly control properties defined by the wider social order. By incorporating externally defined types of instruction, teachers, and students into their formal structure, schools avoid illegitimacy and discreditation.

But in later, related research on the belief systems and the existence of rules reported by various classes of school participants—superintendents, principals, teachers—we discovered a good deal of consensus across these role groups on the extent of educational policy on curricular materials, grades, student conduct, and similar matters. However, such agreements were little affected by organizational boundaries: teachers and principals within the same school as well as teachers, principals, and superintendents in the same district did not show higher levels of consensus on educational policies than that present across the role groups generally—groups whose members were selected from a diverse sample of schools in an urban metropolitan area.

We proposed that the high level of "overall agreement about the extent of formal policies and the areas to which they apply" was the result not of organizational but of institutional processes:

> According to this view, agreements on the nature of the school system and the norms governing it are worked out at quite general collective levels (through political processes, the development of common symbols, occupational agreements). Each school and district—and each teacher, principal, and district officer—acquires an understanding of the educational process and division of labor, not from relating to others within the same organizational unit, but from participating in the same institutional environment, from sharing the

same educational "culture." (Meyer, Scott, and Deal, 1981: 159–160)

Today I would amend the argument to include students and parents among the primary carriers of the cultural belief system.

Such shared conceptions and symbols provide order not only by being mapped into organizational forms and procedures but also by their direct influence on the beliefs and behaviors of individual participants, the presence of which makes their organizational embodiment less essential. They are embedded in the cultural infrastructure. Organizational structures may only be required to support and supplement those cultural systems that exercise a direct influence on participants.

According to such an argument, the existence of strong institutional environments may, under some conditions, reduce rather than increase the amount or elaborateness of organizational structure. Cultural controls can substitute for structural controls. When beliefs are widely shared and categories and procedures are taken for granted, it is less essential that they be formally encoded in organizational structures.

As shown above, previous work has identified a variety of mechanisms and proposed a number of diverse arguments as to how institutional elements affect organizational structures. Since the arguments made are quite varied—and at least some of them make competing predictions—institutional analysts need to become more articulate about the alternative paths by which institutional processes exert their effects and the factors determining such paths. The seven specific mechanisms I have detected in the empirical literature may or may not hold up as distinct types of institutional pressures or forces. In any case, I would argue that sorting out and codifying these arguments is an essential accompaniment to the maturation of institutional theory.

INTERESTS AND INSTITUTIONS

Organizations and Interests

The institutional features of environments are receiving increasing attention, in ways I have tried to document, as important determinants of the structure and functioning of organizations. Until the introduction of institutional conceptions, organizations were viewed primarily as production systems and/or exchange systems, and their structures were viewed as being shaped largely by their technologies, their transactions, or the power-dependency relations growing out of such interdependencies. Environments were conceived of as task environments: as stocks of resources, sources of information, or loci of competitors and exchange partners. While such views are not wrong, they are clearly incomplete.

Institutional theorists have directed attention to the importance of symbolic aspects of organizations and their environments. They reflect and advance a growing awareness that no organization is just a technical system and that many organizations are not primarily technical systems. All social systems—hence, all organizations—exist in an institutional environment that defines and delimits social reality. And just as with technical environments, institutional environments are

multiple, enormously diverse, and variable over time. To neglect their presence and power is to ignore significant causal factors shaping organizational structures and practices: to overlook these variables is to misspecify our causal models.

In his recent paper, DiMaggio (1988: 4–5) argued that institutional theory tends to "defocalize" interests in the explanation of human behavior. Rather than assuming the common utilitarian position that actors attempt to pursue their interests, he suggested, institutional arguments emphasize (1) factors such as norms or taken-for-granted assumptions "that make actors unlikely to recognize or to act upon their interests" and (2) circumstances such as behavioral constraints or cognitive limitations "that cause actors who do recognize and try to act upon their interests to be unable to do so effectively."

By contrast, based on the review reported above, it does not seem to me correct to conclude, as did DiMaggio, that most institutional arguments deny "the reality of purposive, interest-driven" behavior either on the part of organizations or their participants. Rather, institutional theory reminds us that interests are institutionally defined and shaped (cf. Friedland and Alford, 1987: 20). Institutional frameworks define the ends and shape the means by which interests are determined and pursued. Institutional factors determine that actors in one type of setting, called firms, pursue profits; that actors in another setting, called agencies, seek larger budgets; that actors in a third setting, called political parties, seek votes; and that actors in an even stranger setting, research universities, pursue publications.

Moreover, institutional theorists call attention to the truth that rules themselves are important types of resources and that those who can shape or influence them possess a valuable form of power. As Burns (1986: 28–29) noted:

> Rule systems as important social technologies become resources and stakes in social interaction and the strategic structuring of social life. Thus, they cannot be viewed as simply "neutral" or "technical means" of realizing certain purposes. . . . [They constitute] a power resource which social agents utilize in their struggles and negotiations over alternative structural forms and development of social systems, serving their interests.

Institutional Actors and Interests

Shifting levels of analysis, institutional theorists can usefully not only inquire into the ways in which institutional features shape organizational structures but can also examine the determinants of institutional systems themselves. This is a broad and complex topic concerning which I offer here only a few general observations.

DiMaggio and Powell (1983: 147) correctly identified the nation-state and the professions as the primary modern shapers of institutional forms, as, in their terms, "the great rationalizers of the second half of the twentieth century." While both are forces for rationalization, that should not lead us to assume that they share the same interests or that they will necessarily espouse similar institutional forms. Given the power, state officials are more likely to create bureaucratic arrangements that centralize discretion at the top of the structure and allow relatively little autonomy to local managers and providers (Simon, 1983). Professional bodies, by

contrast, will generally prefer weaker and more decentralized administrative structures that locate maximum discretion in the hands of individual practitioners. Both forms embody rational assumptions and modes of consciousness but posit different foci of discretion, giving rise to quite different structural arrangements (Scott, 1985).

The modes or mechanisms employed to disseminate structures are also expected to vary between the two classes of actors. State actors are more likely to employ coercion or inducement in pursuing their ends, and they are more likely to attempt to create a formal organizational network to carry out their purposes. The professions are expected to rely primarily on normative and/or memetic influences and to attempt to create cultural forms consistent with their own aims and beliefs. Of course, to the extent possible, they will enlist the backing of state authorities for their models. Whether or not state power is employed to support or undercut professional patterns will vary over time and place. The examination of these struggles and alliances is an important analytic key to understanding the shaping of contemporary institutional environments (see, e.g., Larson, 1977; Starr, 1982; Friedson, 1986).

Which environmental agents are able to define the reigning forms of institutional structure will be determined largely by political contests among competing interests. The term "political" as employed here should be interpreted in the broadest possible way, since outcomes will be influenced not only by differential resources and sanctioning facilities but will also be strongly shaped by the agents' differential ability to lay successful claim to the normative and cognitive facets of political processes: those identified by such concepts as authority, legitimacy, and sovereignty. Outcomes will also be influenced by the structure of the state itself and its relation to and penetration of society (see, e.g., Berger, 1981; Burawoy, 1985; Evans, Rueschemeyer, and Skocpol, 1985).

To pursue these matters, organizational scholars must increasingly link their energies and interests with those of the new breed of political scientist/sociologist, who is not only "bringing the state back in" as an important institutional actor in its own right but reconceptualizing political systems in ways that reveal the varied role that political and legal structures play in shaping the institutional frameworks within which organizations of varying types operate. As with the introduction of cultural interests, institutional theorists are well situated to provide a vital bridge to bring these insights into the domain of organization theory.

CONCLUSION

A review of both institutional theories and recent empirical studies employing institutional arguments reveals much diversity. Different definitions are employed and a variety of causal arguments are subsumed under this general perspective. I identified these differences not to enshrine or condemn them but to facilitate clarification and orderly development. I have also suggested that institutional arguments need not be formulated in opposition to rational or efficiency arguments but are better seen as complementing and contextualizing them.

Throughout, I have attempted to sound an optimistic note. Institutional theory is at an early stage of development. Adolescents have their awkwardness and their acne, but they also embody energy and promise. They require encouragement as well as criticism if they are to channel their energies in productive directions and achieve their promise.

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