
Introduction

Institutions in the Making: Identity, Power, and the Emergence of New Organizational Forms

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Thirty years ago, new institutional theory challenged the then dominant functionalist explanations of organizational behavior by pointing to the role of meaning in the production and reproduction of organizational practices (Meyer & Rowan, 1977; Meyer & Scott, 1983). But new institutional theory was soon subject to both internal and external criticism for having, among other things, replaced the invisible hand of the market with the invisible hand of culture. In effect, it was difficult for the theory to explain how institutions change and develop in different directions because actors were subjugated to institutions (Powell & DiMaggio, 1991). The result was an oversocialized conception of humanity, in Wrong's (1961) terms, in which institutions shaped all behavior and, thus, seemed to arise and evolve on their own accord. The criticism has led to various attempts to introduce a theory of action compatible with the main precepts of the new institutionalism (Scott, 1994). One approach has been to argue for a rational actor in a constructed world (e.g., DiMaggio, 1988). A second approach has been to combine the theory of organizations with the theory of individuals by developing a middle-range theory of how processes of interest articulation and organizational decision making have been institutionalized (e.g., Fligstein, 1996). A third approach has been to develop a constructionist view in which actors themselves are historically created and variable, with different notions of self, of identity, and of connection to the group over time (e.g., Meyer, Boli, & Thomas, 1987).

In 1997, we edited an issue of *American Behavioral Scientist* titled "Actors and Institutions" (Christensen, Karnoe, Pedersen, & Dobbin, 1997) in which the three perspectives are further developed. The studies in the issue show the great analytic leverage that could be gained by looking at the actor from several viewpoints at once—by asking how modern rational actors would respond to constructed management rationales, how actors and organizations interact empirically, and how the modern actor emerged historically. These explorations suggest that institutionalists would not con-

verge on a single conception of the actor but would rather continue to problematize different aspects of the actor in different moments.

These themes are further developed in a special issue of *Academy of Management Journal* (Dacin, Goodstein, & Scott, 2002) that focuses on institutional theory and institutional change. The editors identify promising insights: Institutional change can proceed from the micro-interpersonal level to the macro-global level; it can take place in concentrated periods or with time, incrementally or abruptly. The articles focus on micro processes, on short periods of time, and on incremental change. The editors wrote that the challenge ahead is “to explore and exploit the diversity of viewpoints within the domain of institutional theory as well as outside of its boundaries. Indeed, it is our view that some of the most promising work will take place on those boundaries” (Dacin et al., 2002, p. 53).

The studies in this issue of *American Behavioral Scientist* take up that challenge. In so doing, they fill empirical gaps in the literature and theoretical gaps in the conceptual framework. They explore, collectively and individually, how new institutions first emerge within and among organizations. The articles explore emergence by looking at key organizational trends: corporate governance, social responsibility, and new work roles. Many of the articles are situated at the interstices of organizational institutionalism and other approaches, both other forms of institutionalism (historical and rational choice institutionalism from political science) and theories from further afield, such as organizational culture theory. The present issue is the product of a summer 2005 workshop in Skagen, Denmark, where American and European researchers met to explore new practices and paradigms in public and private organizations.

The first two articles deal explicitly with the issue of mediating the micro-macro divide in institutional theory. Institutionalists have focused on the macro, looking at trends in organizational practice, but the social constructionist roots of the theory are compatible with a culturalist view of what goes on within organizations. In the first article, organizational culture theory offers insights into how practices and ideas from the wider organizational field—from the macro level—are assembled into distinct organizational cultures. In the second article, Gouldner’s classic study of the gypsum mine provides a setting for observing coupling between organizational practices and wider myths of rationality.

In the first article, Pedersen and Dobbin position themselves in the minefield between neoinstitutionalism and organizational culture theory. Neoinstitutionalists have argued that organizations copy one another to gain legitimacy; culture researchers have argued that organizations distinguish themselves from one another to establish their identities. Pedersen and Dobbin argue that differences in the two lines of research are largely methods driven and that the formation of organizational identity through uniqueness and the construction of organizational legitimization through uniformity are two sides of the same coin rather than contradictory processes. Based on case studies from management schools, they identify four types of processes through which organizations use ideas and practices from the environment to establish legitimacy and identity alike: imitation, hybridization, transmutation, and immunization. In the second article, Hallett and Ventresca explore evidence from Gouldner’s classic

study *Patterns of Industrial Bureaucracy* to expand the boundaries of institutionalism to encompass a richer understanding of coupling between the micro level and the wider organizational field. Hallett and Ventresca examine the rise of the corporate bureaucracy, a new institution at the time, by looking at the coupling between local work practices and the wider environment. In addition to showing how Gouldner was attentive to the pressures from outside of the firm and treated the new institutions as emergent at both levels simultaneously, Hallett and Ventresca discuss how new institutions must be instantiated and given form at the local level, through local practices. Both articles are concerned with how the local and the global interact, reinforcing one another.

The next two articles deal with the rise of the new phenomenon of corporate social responsibility, from macro and micro levels respectively. First, Campbell explores the political and economic motives that underlie the current definition of *corporate social responsibility*, considering the utility of rational choice and historical institutionalism from political science for understanding the *character* of new organizational fads. Organizational institutionalists often examine the pattern of diffusion, without paying attention to how interests shape the character of fads. Campbell argues that little theoretical attention has been paid to understanding the causes of corporate social responsibility as he defines it, by the standard of minimally acceptable corporate behavior. Instead, corporate actors have defined social responsibility in their own terms. He raises the question of why corporations ever act in socially responsible ways given the incentives for maximizing profit and shareholder value. What is interesting about corporate social responsibility is that it not only has become a phenomenon but also has taken a particular focus on a narrow set of issues that do not challenge the core business practices (labor practices, for instance) of most corporations. Boxenbaum takes another angle on corporate social responsibility. She is interested in how a practice institutionalized in one place can be translated for use in a very different environment, for very different purposes. Studies of the process have tended to be macro, but Boxenbaum goes native, exploring the micro-level process by which a new practice arises, assembled from the building blocks of a foreign practice. She investigates how a group of Danish business actors translated the American practice of diversity management into a novel management practice in Denmark. In Denmark, the problem to be solved was not compliance with equal opportunity law but the incorporation of new immigrant groups. The three-step process of translation includes individual selection of a new logic, collective reframing of a practice, and grounding in existing practice. Boxenbaum illuminates the micro dynamics by which foreign practices and meanings—diversity management, corporate social responsibility—are imported and translated for a new purpose in a country with very different needs and a very different history.

Three articles concern corporate governance. The first two relate to how decision makers must negotiate new institutional models—models of corporate form and of corporate governance regulation—with interested groups and, thus, with how putative decision makers may end up creating institutions that are not like anything that they, or those groups, originally envisioned. Fligstein argues that the problem of sense making

is particularly acute when established organizations face sudden changes in their fields. In these circumstances, managers need to worry not just about competitors but also about governments, suppliers, and workers promoting new strategies. Because of these complex interdependencies, the process of sense making is accompanied by a search process that may lead managers in directions that are a priori unpredictable. Fligstein illustrates with the case of the reorganization of the European defense industry. With the EU's effort to marketize the defense industry, along with everything else, industry participants realized that despite their free market rhetoric, governments concerned with retaining national munitions capacity would not allow firms to do whatever they pleased. The new organizational forms that emerged, which privatized much of the industry but stabilized it with regard to European consortiums, came about iteratively as governments determined what they could live with and as executives sought to pursue models that would be politically palatable. Enrione, Mazza, and Zerboni examine the diffusion of corporate governance regulations across the globe and show that in different countries, the regulatory mechanisms adopted are influenced by the groups that participate in the policy-making process. They study the global institutionalization of codes of corporate governance and the role of the different actors in issuing the codes. Four groups of actors are salient: lawmakers, governance enactors, model makers, and market makers. Although codes of governance are related to the legal system of a country (common law vs. civil law), the degree of market integration, and the level of stock market development, whether reform is initiated by lawmakers or by governance enactors has important effects on the eventual form that governance takes.

The third article on governance explores the American thrift industry, to examine how change in the form of governance occurred. The early forms were highly mutualistic and they enforced savings. These were replaced by forms that were less mutualistic and that involved less enforcement—that were closer to modern banks. Haveman and Rao show that the new forms emerged not abruptly but through hybridization. The population drifted toward new forms, rather than experiencing a revolution. The hybrids gradually combine elements of one basic plan with another because blending mechanisms between organizational forms were stronger than segregating mechanisms. Haveman and Rao theorize hybridization as a mechanism of change, in which new elements are combined with old and may eventually displace them.

The last three articles deal with new work roles. Here the issue is how work roles and identities become institutionalized and how they then affect organizational institutions. Patriotta and Lanzara focus on the institutionalization of technical and organizational knowledge in an avant-garde auto factory in Italy. Worker identities were deliberately shaped by Fiat when the new plant was being designed and opened, with young workers new to the industry who learned, together, everything about how to assemble and disassemble a car. Worker identities, and identification with the production process, reinforced factory routines until a strike disrupted production, altered worker identities and, thus, changed both organizational cultures and practices. Patriotta and Lanzara argue that knowledge institutionalization can be regarded as a recursive process that involves the progressive writing, enactment, and reproduction

of a structural template within a stable medium. They show that the template not only reproduces the factory's operation by being acted out in endless repetition but at the same time also can generate tensions that lead to conflict and a revision of the institutional order. Meyer and Hammerschmid are interested in what happens to institutionalized practices when a new executive identity becomes popular in the public sector. They document the rise of a modern managerial identity to replace the old administrative identity of public sector managers. That new identity is shaped by changing global norms about management, and it implies support for a more outcome-oriented approach to running public agencies. The new identity supports the implementation of new criteria of performance evaluation. The new criteria call not for adherence to bureaucratic rules and appropriate procedures but for a focus on outcomes and efficiency. Meyer and Hammerschmid argue that the idea of identities as socially constructed in the wider environment, but as negotiated in the organization and the organizational field, can contribute to our understandings of the rise of new institutions.

Westenholz studies work roles in yet another environment, that of increasingly autonomous information technology workers. She shows that independent contractors, and insiders, negotiate identities from a menu of possible options. A set of relational identities thus emerges and becomes institutionalized through interaction among actors within a focal organization who draw on cultural resources and on relationships outside of the organization. These information technology workers develop several identities—free agent, grassrooter, market maker—that are neither fully their own nor previously institutionalized. Westenholz argues that it is important to go beyond actor/structure and micro/macro distinctions in analyzing the current transformation of work and identities. As an alternative to a grand-scale claim about the consequences of a modern/postmodern transformation of work, she suggests analyzing identities from a relational/social constructivist viewpoint that starts from the daily work practices in which relational participants employ elements of widespread identity stories (field stories) as “raw materials” when negotiating emerging identities in meaning arenas.

Together, the articles in this issue suggest a number of promising research avenues for institutionalists interested in how new practices come about and how existing practices evolve. The insights come from studies of the first steps of institutionalization, either of the initial selection of a new organizational practice or of the transformation of an old practice. This first stage of institutionalization is typically neglected in organizational studies.

Institutionalists often focus on the macro process of diffusion, ignoring the micro processes by which new organizational elements, ideas, and practices are embraced and become part of organizational identity. They often neglect to study how meaning operates within the organization. The articles by Strandgaard Pedersen and Dobbin and by Hallett and Ventresca call for greater attention to the connection between the local and the global and greater attention to processes of meaning formation within the organization, even when meaning is constructed of common practices and themes found in the environment. Enacting the social meaning of practices locally is integral

to institutionalizing them globally, after all. Paying attention to the local and global simultaneously is key to understanding the construction of new institutions.

Institutional studies often focus on particular management and professional groups, detailing how they succeed in promoting the new management practices they favor, sometimes in competition with other groups promoting different agendas. Several of the studies reported here show the process of interest identification and articulation, within groups, to be more complex than existing studies suggest it should be. In Fligstein's study, for instance, defense industry managers do not identify their preferred corporate structure and strategy as soon as the EU proposes marketizing the industry. Instead, a new strategy emerges iteratively, as managers attempt certain strategies and as public officials concerned about stabilizing national munitions suppliers set limits on what firms can do. Group interests are emergent on both sides here, and their emergent quality can be seen only in real-time analysis of the evolution of group preferences for particular institutions. In Campbell's study, the interests of executives and shareholders appear to have shaped the meaning of corporate social responsibility such that the genuine interests of the public are obscured even to members of the public. In Enrione, Mazza, and Zerboni's study of national adoption of corporate governance standards, it is not corporate power that shapes governance so much as which group of public officials gets to the table first. All three studies challenge the conventional wisdom that people readily recognize their interests and that the most powerful actors get their way when new institutions are being formed. All three illustrate the surprising ways in which interest shapes emergent institutions.

Institutional studies often suggest that change is episodic—that most change happens when paradigmatic revolutions sweep the organizational terrain from above. Many of the studies presented in this issue show change happening in a very different way. Change can bubble up from below, even though individuals often create new institutions out of components of the wider culture, as Boxenbaum shows in her study of Danish managers assembling a corporate social responsibility program from elements of American diversity management systems. Change can also be incremental as, for instance, Rao and Haveman show in the case of the thrift industry, where hybridization led gradually to a major shift in the governance and goals of the thrift institution.

Finally, identity plays an underappreciated role in the process of institutionalization. As Patriotta and Lanzara show in the Fiat plant, workplace identities are responsible for the daily reproduction of organizational routines, and when those identities are challenged, the meaning of those routines and their very replication is challenged as well. We reenact institutionalized routines because our work identities are tied to them. At the micro level, new identities can arise from interactions among individuals in an emergent sector, as Westenholz shows. At the macro level, new global managerial identities can shape management practices in a particular field, as Meyer and Hammerschmid show in the case of the new managerialism among Austrian public sector executives. These three studies show how organizational practices are tied to individual identities; they shape them and are shaped by them.

These studies make clear that institutionalists could usefully pay more attention to the micro level, and to the processes by which new institutions are originally devised and put into place. They make clear that the process of institutionalization is all about agency and identity, even if most analysts have chosen to bracket these issues so as to be able to focus on the mechanisms by which new institutions diffuse. They make clear that there is much intellectual work still to be done in incorporating insights from diverse theoretical traditions into the core of organizational institutionalism, insights that illuminate the process of social construction at the level of the actor.

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