INSTITUTIONAL THEORY AND INSTITUTIONAL CHANGE: INTRODUCTION TO THE SPECIAL RESEARCH FORUM

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Institutional theory has risen to prominence as a popular and powerful explanation for both individual and organizational action. It is a vibrant theory that has been synthesized and contrasted with a number of other approaches. Although its scope has certainly been expanded, institutional theory has often been criticized as largely being used to explain both the persistence and the homogeneity of phenomena. We believe that this focus did little to tap the full power or potential of institutional theory. We find, for example, that institutions change over time, are not uniformly taken-for-granted, have effects that are particularistic, and are challenged as well as hotly contested. Thus, we acknowledge that although institutions serve both to powerfully drive change and to shape the nature of change across levels and contexts, they also themselves change in character and potency over time. It was in this spirit that we put forth a call for papers on the study of institutional theory and institutional change. We also believed that the topic of institutional change has emerged as a central focus for organizational researchers. Therefore, we sought to provide new understandings of the manner in which institutions are created, transformed, and extinguished and the way in which institutional processes interact to affect institutional change.

We received over 75 manuscripts for review. Indeed, institutional theory has arrived. We sought studies that explored diversity in method and synergies across a broad range of theoretical perspectives. The works offered in this volume are diverse in many respects. They represent a variety of research methodologies as well as a variety of research settings. Collectively, this set of studies highlights the richness and diversity of this growing domain of research and furthers understanding of institutional theory and institutional change.

There have been many excellent reviews of institutional theory in the last few years (Scott, 1995, 2001; Tolbert & Zucker, 1996). Instead of reviewing this body of work, we choose to focus more on a set of core themes to introduce the work accepted for publication in this special research forum. In doing so, we hope to give focus and direction to three important questions, each of which is centrally connected to the broad goal of this research forum. We place these studies in a specific thematic context by asking: (1) What do these studies tell us about primary sources or drivers of institutional change? (2) What do they tell us about the factors that influence how organizations respond to organizational change (by resistance or legitimation) and initiation of institutional change? In particular, we focus both on the role of agency and the need to legitimate institutional change. (3) What has been learned about the process of institutional change, in particular “deinstitutionalization” and the emergence of new forms? We conclude this introduction by offering our thoughts on promising directions for future research on institutional change.

INSTITUTIONAL CHANGE: SOURCES, RESPONSES, AND PROCESSES

Sources or Drivers of Change

A number of the studies contained in this Special Research forum on Institutional Theory and Insti-
Institutional Change make an important contribution by drawing attention to sources of institutional change, specifically in relation to the deinstitutionalization of existing norms and practices. Oliver (1992) and Scott (2001) noted that much of the emphasis in the institutional theory literature has been on institutional construction and on convergent change processes. However, an equally important, although less well explored, phenomenon is deinstitutionalization, “the processes by which institutions weaken and disappear” (Scott, 2001: 182). Scott underscored the importance of deinstitutionalization, noting that “it is useful to place studies of deinstitutionalization in a broader context of institutional change, since the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices” (2001: 184).

Oliver (1992) identified three major sources of pressure on institutionalized norms or practices: functional, political, and social sources. Functional pressures for deinstitutionalization are those that arise from perceived problems in performance levels or the perceived utility associated with institutionalized practices. These pressures may be tied to broad environmental changes, such as intensified competition for resources. Thornton’s (2002) study of changing organizational forms in higher education publishing in this issue emphasizes how resource competition and market acquisitions heightened market pressures in the mid 1970s, undermined the preexisting editorial logic driven by professional norms, and led to the institutionalization of a market logic throughout the mid 1970s and 1980s. Lounsbury (2002), in his work in this issue, highlights a related shift in institutional logics driven by environmental change in the United States finance industry. Deregulation fundamentally altered the prevailing regulatory logic in this industry and, as in the publishing industry observed in the Thornton study, led to an increasing emphasis on a market logic that provided new opportunities for finance professionals to promote their interests. Lee and Pennings (2002), in their work in this forum, provide an additional perspective for understanding how functional pressures can influence deinstitutionalization and institutional change. In their study of the Dutch accounting sector, they demonstrate how performance differentials among competing organizational forms at the population level became an important source of market feedback that furthered the deinstitutionalization of an organizational forms. At the organization level, these differentials encouraged the adoption of one organizational form (partners and associates) over another (partners only). Finally, Kraatz and Moore (2002) contribute to the theme of functional pressures in their work in this issue by emphasizing how performance-driven pressures associated with shifting student degree preferences and resource competition from public higher education institutions provided the impetus for liberal arts colleges to question the existing array of curricular programs and adopt professionally oriented programs in areas such as business, communications, and public affairs.

The second set of pressures Oliver (1992) noted, political pressures, result primarily from shifts in the interests and underlying power distributions that have supported and legitimated existing institutional arrangements. Such shifts may occur in response to performance crises, environmental changes, and other factors that compel organizations to question the legitimacy of a given practice. In their work in this special forum representing this theme, Greenwood, Suddaby, and Hinings (2002) undertake an organizational field-level study of institutional change within the accounting profession in Canada. The central focus of their research is how professional associations, responding to market forces for a new range of services, altered the political context of accounting firms and redefined the scope of their services to extend beyond traditional accounting services and incorporate management advisory services. Professional associations served as a setting for “intraprofessional discourse” regarding the legitimacy of the change. In their efforts to promote this expansion of services, the professional associations legitimated the change by referencing the prevailing values and practices of the profession, particularly around service to clients. Townley (2002), in her work in the forum, also highlights political pressures and also looks to Canada, specifically Canadian museums, as a rich context within which to explore the introduction of business planning and performance measures from the private sector into the public sector. This effort represented part of a larger “reinvention of government” movement within the Canadian public sector intended to “gain greater control over public expenditure, enhance public accountability, and demonstrate managerial competence in the public sector” (Townley, 2002: 163). Townley highlights the clash between cultural and economic value spheres crystallized in a core concern that the value of the museums would be increasingly measured in means-ends terms, rather than cultural terms. Townley’s study underscores the contested nature of institutional change, particularly when the sources of change are political in nature.

Institutional change and deinstitutionalization
may also be influenced by social pressures associated with differentiation of groups (for instance, increasing workforce diversity), the existence of heterogeneous divergent or discordant beliefs and practices (as a result of mergers, for example), and changes in laws or social expectations that might hinder the continuation of a practice (for instance, implementing affirmative action) (Oliver, 1992; Scott, 2001). In her contribution to the forum, Zilber (2002) closely examines how the prevailing feminist ideology within a rape crisis center in Israel was altered as a result of shifts in the number of organizational participants with a therapeutic focus. Her study confirms Oliver's insight: “New members with backgrounds and experiences that differ from existing members bring different interpretive frameworks and social definitions of behavior to the organization that act to diminish consensus and unquestioning adherence to taken-for-granted practices” (1992: 575). As in the case of Townley's (2002) study, Zilber (2002) draws attention to the “interplay between actors, actions, and meanings” in understanding the “micropolitics” of institutional change.

Initiating and Responding to Change: The Role of Interests, Agency, and Legitimacy

A significant critique of early neoinstitutional theory invokes its focus on homogeneity and persistence and its relative inattention to the role of interest and agency in shaping action (DiMaggio, 1988). Recent work has sought to address this criticism by acknowledging both variation and change (Goodrick & Salancik, 1996; Goodstein, 1994; Oliver, 1992). This diversity is derived from both exogenous sources and perceptions, interpretations, and enactments of institutional logics by actors who give meaning and life to institutions. The observation that multiple institutional logics exist and compete for attention points to the importance of examining the institutional arenas or relational contexts wherein such contests get played out.

For example, Kostova and Roth's (2002) study, in this forum, of the adoption of total quality management (TQM) practices by a multinational corporation's subsidiaries highlights consideration of the broader institutional context as well as the more localized, relational context. Kostova and Roth examined the behavioral and attitudinal components (internalized beliefs about the value of practices) of adoption responses by subsidiaries. They found variation in the level of institutionalization of the same practice across broad contexts (countries) as well as across organizational units. Their study has important implications for the role of alignment of practices, interests, and agency and relational contexts in producing successful diffusion and institutionalization of practices.

In addition to Kostova and Roth's examination of subsidiary-level agency, several other studies in this issue devote explicit attention to the role of power, interests, and agency in determining how organizations interpret and respond to institutions. Lawrence, Hardy, and Phillips (2002) examine the journey of one organization's collaborative relations and highlight the role of collaboration as a means of institutional entrepreneurship. They suggest that strong ties with other organizations shape the path to and nature of resultant changes in practices. DiMaggio (1988) introduced the idea of institutional entrepreneurship, whereby agents deploy the resources at their disposal to create and empower institutions. Institutional entrepreneurs serve as agents of legitimacy supporting the creation of institutions that they deem to be appropriate and aligned with their interests. These agents have the resources and hence the power to shape the character of institutions and institutional change. Townley's (2002) study (in this issue), highlights the importance of the powerful “carriers” or agents of change and how their interpretations shape the implementation of new systems in the public sector. Zilber's (2002) study also focuses on organization members as active carriers of institutions. In other words, actors are not passive. They make choices in the interpretations of the meaning put forth. Actors perceive the meaning of institutions and infuse their actions with meaning based upon these perceptions. In another study in the forum that addresses interests and agency, Garud, Jain, and Kamarawamy (2002) explore the complex mixture of cooperative and competitive practices involved when companies collectively craft common standards to govern a technology. They provide an illuminating description of the “institutional entrepreneurship” of Sun Microsystems as it acted as the primary sponsor of Java technology for the Internet, destroying existing taken-for-granted standards and constructing new rules governing competition in the software industry. Forged through conflict, these rules contained built-in tensions that fueled new conflicts of interest insuring further struggle and ongoing institutional change.

The creation, transformation, and diffusion of institutions require legitimacy, a condition whereby other alternatives are seen as less appropriate, desirable, or viable. In a detailed analysis of the introduction and adoption of Edison's system of electric lighting, Hargadon and Douglas (2001) addressed the need for legitimacy when an innova-
tion is introduced. Hargadon and Douglas examined the importance of embedding the innovation in legitimate as well as familiar designs in order to shape the outcomes of contests between the innovation and established institutions. By exploiting existing cues and repertoires, entrepreneurs can enhance the likelihood of successful adoption. A number of studies in this volume emphasize the need to legitimate change, either through some form of conformity to field-level cognitive interpretations (Glynn & Abzug, 2002), or through market feedback (Lee & Pennings, 2002), or through the development of constitutive rules that provide guidelines for change (Hinings et al., 2002) as well as links to these actors (Casile & Davis-Blake, 2002). Glynn and Abzug’s study (in this issue) identifies dynamics and examines conformity in the symbolic practice of naming, which is infused with both agency and meaning. Their study suggests that identity shifts are critical for securing legitimacy. By considering legitimacy as both antecedent and outcome, Glynn and Abzug focus attention on the embeddedness of identity in institutional dynamics that are both motivated and produced by efforts to garner legitimacy.

**Change as Process**

A number of the studies in this volume make the process of institutional change a central focus for their research. Greenwood and his coauthors; Townley; and Zilber all undertook intensive, detailed qualitative studies that explore the dynamics of institutional change. An important theme running through each of these studies is what Zilber identifies as the “dialectical interplay between ... actions (practices and structures), meanings, and actors” (2002: 235; emphasis in original). Pressures for deinstitutionalization, whether they are primarily functional, political, or social in nature, will not automatically lead to a breakdown in institutional norms. These pressures are interpreted, given meaning, and responded to by actors within organizations. As is portrayed in Greenwood et al.’s model of institutional change, changes in prevailing norms go through a critical stage of theorization and legitimation by existing or new actors. Theorization involves both the specification of the failings of existing norms and practices and the justification of new norms and practices in terms of moral or pragmatic considerations. As this process diffuses throughout an organization or among organizations in a given field, new norms and practices take on a greater degree of legitimacy and, in turn, become institutionalized.

Each of these studies underscores important differences in how the process of institutional change unfolds. Directing their attention to macro political forces, Greenwood and his colleagues show how powerful professional associations in the field of accounting in Canada were able to foster a process of change over a 20-year period. As they point out, the expansion of accounting services to include management advisory services, although of great pragmatic significance, was justified in normative terms as being consistent with providing a high level of service to customers. Townley found a much more contested process of institutional change and integration of new norms and practices. Canadian authorities attempted to promote the pragmatic rationale of business planning and performance systems within Canadian museums, but those who felt that this change would threaten the cultural value of museums resisted this justification. The process of institutional change within the Israeli rape crisis center Zilber studied was influenced significantly by changes in personnel and the ability of new volunteers to advance therapeutic practices and meanings. These studies demonstrate the value of employing qualitative research strategies as a complement to strong quantitative methods focusing on explicit structures, practices, and outcomes in advancing institutional theory. The combined use of intensive interviews, archival records, and participant observation employed by Greenwood and his coauthors, by Townley, and by Zilber allowed these researchers to pursue the study of institutional change in a way that, as Zilber notes, “would have gone unnoticed with analysis by approaches that focus on the macro level and on structures and practices alone” (2002: 250).

**NEW DIRECTIONS: LEVELS AND MECHANISMS OF INSTITUTIONAL CHANGE**

No single collection of articles, however diverse, can fully represent all of the directions currently being pursued or calling for attention as institutional theorists extend their ideas and arguments to encompass change processes. In this concluding section, we briefly identify some developing areas that seem to us both central and promising.

Institutional change can proceed from the most micro interpersonal and suborganizational levels to the most macro societal and global levels. It can take place in relatively brief and concentrated periods or over time measured in decades or centuries. And it can take place incrementally, so that observers and participants are hardly aware of any change, or abruptly, in dramatic episodes that present large discontinuities with former patterns. Like most of the wider institutional literature, our
collection of articles tends to focus on more micro levels, shorter time periods, and incremental change processes.

Zilber's (2002) study of changes in the meaning of organizational routines in the rape crisis center in Israel represents the most micro study in our special issue. As new participants entered the organization, some of the interpretations and justifications for center activities underwent a subtle but discernible change. Also at the micro level, Townley (2002) examines the impact of the introduction of new institutional logics ("new public management") into a division of provincial government in Canada. The most macro studies included are those by Thornton (2002), looking at changes in the U.S. higher education publishing industry; by Lee and Pennings, looking at the Dutch accounting industry; by Greenwood and colleagues (2002), looking at the professional business services field in Alberta, Canada; and by Lounsbury (2002), looking at the professionalization of the field of finance in the United States. Viewed collectively, Townley's study and these four macro studies provide a glimpse of larger processes at work at the transnational level: the "restructuration" of the field of professional services.

Transnational Trends

Early in this century, professional organizations adopted diverse forms—nonprofits, partnerships, arrangements separating administrative and professional hierarchies—each of which distinguished them from more conventional business or commercial organizations. Through a set of processes that has accelerated in the past few decades and that appears to involve all (post)industrialized societies, the boundaries erected to segregate and protect these fields have been breached, allowing the penetration of more conventional corporate forms. These processes are well underway not only in the publishing, legal, and business service fields, but in two other arenas long noted for the dominance of professionals: health care (Scott, Ruef, Mendel, & Caronna, 2000; Starr, 1982) and higher education (Slaughter & Leslie, 1999). What one is witnessing, if the level of analysis is raised, is not the reconstruction of specific fields, but broader and more general processes that are transforming the nature of professional work. Those professional occupations that have more recently emerged, such as the financial services occupations described by Lounsbury (2002), structure themselves so as to accommodate corporate patterns. An examination of the new work arrangements that combine managerial and professional logics was provided by Leicht and Fennell (2001), in their description of the "neo-entrepreneurial workplace."

How do such large-scale changes take place? The processes involved are surely complex, resulting in part from major shifts the regulatory policies of many Western governments. Older models of public utility regulation have been supplanted by approaches stressing the manipulation of incentives and reliance on competition and deregulation (Robinson, 1999). But this new vocabulary of governance mechanisms is, in turn, the product of decades of research on the limitations of older regulatory regimes, the development of new economic theories, and the ascendance to political power of neoconservative political and policy leaders (Hall, 1989; Scott et al., 2000: 217–220). In short, new mechanisms result from changes in power alignments that both delegitimate existing forms and bring to the fore new cultural-cognitive conceptions that provide a foundation for new political policies, new legal mechanisms, and new normative frameworks. The foregoing suggests an outline of the types of changes, but not the specific processes, that call for close empirical investigation.

Such an effort could be guided and informed by recent analyses of other instances of major transnational change. For example, researchers have examined the development and diffusion of what is termed "new public management"—new approaches for organizing the public sector—that have been widely adopted by the Scandinavian countries, by Australia, and by New Zealand (Christensen & Lægreid, 2001; see also Townley, in this issue). Institutional analyses have been conducted examining the processes of economic and political change transforming Eastern Europe during the past decade (American Journal of Sociology, 1996; Campbell & Pedersen, 1996). And a growing body of scholarship examines the emergence of new economic institutions in Asia (Guthrie, 1999; Li, Tsui, & Weldon, 1999; Lin, forthcoming; Min, 1995; Oi & Walder, 1999; Orrù, Biggart, & Hamilton, 1997).

All of these studies address the complex ways in which new institutional forms interact with existing institutional arrangements to create varied "new" structures and processes. At this level, although new ideas and models certainly travel far and wide, there is little talk of isomorphism. General concepts and principles are translated as they are transmitted, producing divergent outcomes. (Czarniawska & Sevon, 1996). Many types of carriers are at work: symbols, relations, artifacts, and routines (Scott, 2001). More particularly, at the world system level, various professional associa-
tions and nongovernmental international organizations, including the World Bank and World Trade Organization, are promulgating new conceptions, standards, and practices (Boli & Thomas, 1999; Brunsson, Jacobsson, & associates, 2000); consultants are tailoring general models to fit specific circumstances, and multinational corporations are establishing new branch offices and subdivisions and entering into joint ventures and contractual arrangements with local enterprises. Diversity is introduced both through the variety of carriers and their connections and by the differing attributes of the host systems: societies, fields, and organizations (Djelic, 1998). Global change is not necessarily about uniformity or oppression or progress; nation-states and organizations and managers are not sponges or pawns, but actors responding to challenges under the guidance of existing institutions (Guillén, 2001). The resulting changes thus often appear as hybrids, forms combining new and old elements constructed through bricolage (Campbell, 1997).

BROADENING FIELD-LEVEL STUDIES

Although most of the articles in this special issue operate at the field level, their authors tend to limit their attention to changes within a single form, a single population of organizations—such as publishing houses (Thornton), accounting organizations (Lee & Pennings), law firms (Sherer & Lee), liberal arts colleges (Kraatz & Moore), and business schools (Casile & Davis-Blake). In each case, dominant forms are selected for study, the analysis revealing how the adoption of a revised form or practice is variously affected by organizational attributes and linkages and population characteristics. Such studies have been the meat and potatoes of macro researchers over the past two decades, often combining the ideas and methods of institutional and population ecologists to examine population-level change processes. Organizational attributes examined include size, profitability, ownership, unionization, existence of personnel or other specialized units, and managerial characteristics. Relational features studied include organizational membership in wider systems—such as corporations and associations—contractual relations, board interlocks, structural equivalence, and personnel flows. Population characteristics include organizational density, relational density, and normative and regulatory legitimacy (Baum, 1996; Scott, 2001).

Such studies are of great value, but they pose a risk: the danger of ignoring other types of changes underway in actors that may result in more profound transformations in fields. Such processes include (1) changes in relations among existing organizations, (2) changes in boundaries of existing organizations, (3) the emergence of new populations, (4) changes in field boundaries, and (5) changes in governance structures (Scott et al., 2000: 24–25). Let us consider each briefly.

Analysts are currently tuned in to the importance for organizations of their connections to other social units. It is equally important to attend to the changing levels and distributions of types of connections at the field level. The density of interconnections among organizations is an important attribute of field "structuration" (Baum & Oliver, 1992; DiMaggio, 1986), as is the changing nature of the connections. In many fields, for example, contractual ties are replacing equity ties (horizontal or vertical integration) as organizations prefer more specific and flexible linkages (Harrison, 1994). Laumann and Knoke (1987) demonstrated the importance for policy outcomes of the nature and extent of connections linking organizational players in the national health care and energy domains in the United States.

Second, the forms associated with populations can undergo changes over time, as the studies in this special research forum by Greenwood and colleagues, Lee and Pennings, Sherer and Lee, and Casile and Davis-Blake demonstrate. What is less often recognized is that the boundaries of forms can also change, encompassing more, fewer, or different functions. Fligstein’s (1990) well-known study of the shift over time among the largest U.S. corporations from a unified to a multidivisional structure involves both a change in form and an expansion of domain. Indeed, as Fligstein emphasized, corporations undergoing these changes ceased to operate in and be identified with a specific field or industry, seeing the definition of their field shift from "those based on product lines to industry to the population of the largest firms" (1990: 19). Similarly, in a study of changes in the health care industry, Scott and associates (2000) observed that, over a 50-year period, some functions that had been performed exclusively within hospitals—for example, kidney disease treatment—were "unbundled" and reorganized to operate as free-standing units. And, at the same time, hospitals themselves were increasingly integrated into larger health care systems.

Third, ecologists have taught that one of the most important motors of organizational change is the demise of existing forms coupled with the development of new types of organizations (Hannan & Freeman, 1989). Studies that focus exclusively on a single dominant population undergoing change may overlook a vital renewal process that entails
the creation of new forms. Until recently, both institutional theorists and ecologists have not accorded close attention to generative processes spawning new types of organizations—which, in turn, are often associated with the development of new industries. But now these processes of organizational “genetics” (Suchman, forthcoming), and the entrepreneurial activities giving rise to new industries (Aldrich & Fiol, 1994; Van de Ven & Garud, 1989) are beginning to receive the attention they deserve. Recent theoretical and empirical work by ecologists on the evolution of “organizational communities” overlaps substantially and usefully with current research by institutionalists on the structuration of organizational fields (Aldrich, 1999; Baum & Singh, 1994; Powell & Jones, forthcoming).

In searching for sources of new forms, one can find another important wellspring of ideas in the social movements literature, which examines the conditions under which new, often suppressed, interests become organized and fight for their place in the sun (Clemens, 1997; Rao, Morrill, & Zald, 2000; Swaminathan & Wade, 2001). Such movements often involve the introduction of new types of actors and interests, new repertoires of actions, and new kinds of structural arrangements. The recent confluence of work on organizations and social movements is a promising development giving rise to the possibility of a general framework for examining the dynamics of change that incorporates both established and emergent organizations and power processes involving both “transgressive contention” and institutionalized authority operating within “prescribed politics” (McAdam & Scott, 2001).

Fourth, researchers examining field-level structures and processes must be attentive to shifts in the boundaries demarcating fields. Boundaries are shaped by admixtures of regulative and governance arrangements; cultural-cognitive conceptions of identity and a sense of “being in the same boat”; normative and ethical frameworks that provide common rules and standards; and interdependencies borne of technical connections or dependence on similar types of material resources. Hence, disruptions along any of these dimensions may give rise to breaches in boundaries that result in fundamental alterations in field structure and participant behavior. New governance systems introducing deregulation into fields that had been highly regulated, such as the financial services area described by Lounsbury in this issue; transformations in conceptual lenses, such as occurred in views held of humanity’s relation to the natural environment (Frank, 1997; Hoffman & Ventresca, forthcoming); revised normative codes, such as the broadened conception of the role of accountants, as described by Greenwood and colleagues in this issue; and significant changes in technologies that disrupt organizational routines and alter dependencies among exchange partners (Garud et al., 2002; Tushman & Anderson, 1986)—all these shifts are likely to result in a redefinition of field boundaries.

Finally, each field is associated with a distinctive governance structure: field-level or broader systems that operate to ensure stability and preserve order. Greenwood and colleagues examine one such structure overseeing accounting services in Canada, but most fields exhibit multiple structures involving combinations of public, quasi-public, and private forms. The range and variety of such field-level structures is considerable, as demonstrated by the studies of Campbell, Hollingsworth, and Lindberg (1991) and of (Hollingsworth, Schmitter, and Streeck (1994). Wider society-level (and even transsocietal) systems shape and penetrate field-level systems in complex and changing ways, affecting the structuration of a field itself as well as attempting to influence and control the behavior of specific organizations.

It is also important that scholars attend to the full array of governance mechanisms at work. Until recently, most attention has been accorded to the allocative and regulative role of governments and private governance systems. Regulative systems are often charged with motivating evasion rather than compliance, but recent studies by law and society and organizational scholars suggest that such programs and legislative initiatives often have greater effects through the normative and cognitive processes they set in motion than by means of their coercive mechanisms (Edelman & Suchman, 1997; Luoma & Goodstein, 1999).

Less attention has been accorded to the constitutive powers of these systems. As the study by Greenwood and associates here demonstrates, governance systems can create and legitimate organizational forms. They also determine or affect the distribution of property rights—rules about the conditions of ownership and control of productive assets (Campbell & Lindberg, 1990). The passage of other constituency statute legislation within 29 states in the late 1980s and early 1990s gave firms incorporated in these states the legal right to take into account stakeholder interests, in addition to shareholder interests, when evaluating important corporate decisions (such as downsizing initiatives or evaluations of a merger proposal). Such rules are not simply regulatory systems but are also cultural-cognitive frameworks that define the nature of actors, their interests, and their rights.
Of course, influence is not unidirectional: organizations and their participants exert important effects on governance structures. Scholars readily recognize such tactics as petitioning, lobbying, and providing data and “expert” testimony to governance units. But only recently have scholars begun to examine the subtle ways in which organizations affect rules and policies through processes of perception, interpretation, negotiation, and enactment (Dacin, Ventresca, & Beal, 1999; Weick, 1995). Studies by Edelman (1992), Dobbin and Sutton (1998), and others have documented the back-and-forth processes by which organizations affect their legal and normative environments, collectively constructing what it means to be in compliance with the law or with normative standards. Just as benefits accrue to institutional scholars from closer collaboration with organizational ecologists and social movement theorists, greater attention to the work of law and society scholars should lead to great gains.

These suggested directions encourage organizational scholars to push further outward in regard to focusing on transnational processes and field-level investigations involving multiple organizations or populations of organizations that cut across industries and societies. The actors within these studies are likely to be collective, ranging from social groups within organizations to various field-level collaborations of organizations. These new directions also create the possibility for connecting to promising domains of research that have been relatively neglected, such as the literatures on social movements and on law and society.

In keeping with this theme of moving in promising new directions, we also see great potential in encouraging scholars to explore the moral dimension of institutions and institutional change (Bellah, Madsen, Sullivan, Swidler, & Tipton, 1991; Selznick, 1992; Wolfe, 1989). One strategy is to pursue the interdependence between institutions and individual identity and roles, particularly those working within various organizational settings. A number of writers central to the early development of institutional theory have highlighted this critical interaction between institutions and individual self and character (Cooley, 1956/1902; Gerth & Mills, 1953; Hughes, 1958; Scott, 2001). The significance of institutions and institutional change for individual character has been more recently echoed by Bellah and his colleagues (1991) and by Sullivan (1995), as this quote from the former illustrates:

Institutions are patterns of social activity that give shape to collective and individual experience. An institution is a complex whole that guides and sustains individual identity. . . . Institutions form individuals by making possible or impossible certain ways of behaving and relating to others. They shape character by assigning responsibility, demanding accountability, and providing the standards in terms of which each person recognizes the excellence of his or her achievements. (Bellah et al., 1991: 40)

As Hughes (1958) perceptively noted, secular changes, such as limits on government funding of health care and the corporate consolidation of industries associated with globalization, not only alter organizational landscapes; they also have the potential to become moral crises for those individuals working within the health care organizations and the corporations involved. Sennett (1998) explored this interrelationship between institutional change and character within contemporary corporations. Sennett used in-depth interviews with individuals in various roles to detail how heightened pressures for individual and organizational flexibility inherent in the new economy alter the meaning of trust, loyalty, and commitment for individuals working within corporate settings.

In health care, a number of writers (Morreim, 1995; Pellegrino, 1989; Rodwin, 1993; Spencer, Mills, Rorty, & Werhane, 2000) have taken the kinds of organizational changes documented by Scott and his coauthors (2000), and noted above, as a beginning point for exploring the moral implications of these changes. They have specifically considered how these changes have influenced the character of professionals delivering health care services and their loyalties, commitments, and perceptions of their ethical obligations to patients and providers. At the core of many of these explorations is a concern with what Toulmin (1990: 25) called “de-moralization”—the erosion of a particular way of defining the moral calling associated with physician roles as a result of a changing institutional environment and heightened budgetary pressures in health care. Sullivan (1995) and Friedson (2001) extended this notion of demoralization to address its effects on the character and role behaviors of other professionals practicing in fields such as law, religion, and engineering.

Institutional change can also put at issue the character and integrity of organizations. Institutionalization as a process within organizations establishes a kind of character defined by the organization’s commitments to values and principles (Selznick, 1957, 1992). As these normative commitments deepen both within the organization and among stakeholders, there is a movement from organization to institution (Selznick, 1992, 1996). These commitments become the basis for a kind of
normative rationality (Oliver, 1997) that legitimates organizational choices in reference to an organization’s mission and values and sustains organizational integrity, defined as fidelity to self-defined values and principles (Paine, 1994; Selznick, 1992).

Oliver (1997) argued that normative rationality may constrain organizational adaptation and the acquisition of resources. Broad environmental changes, including institutional change, create unique challenges for the maintenance of organizational integrity. Selznick has made this tension between integrity and responsiveness a central focus for his work, arguing as follows: “The challenge is to maintain institutional integrity while taking into account new problems, new forces in the environment, new demands and expectations. A responsive institution avoids insularity without embracing opportunism” (1992: 326). For Hoffman (1997), the rigid maintenance of institutional integrity can be taken too far, particularly when organizations fail to respond to changing institutional environments. Hoffman traced the evolution of shifting institutional logics governing chemical and petroleum companies, emphasizing the initial resistance of these companies to altering their mission and values to more directly take into account environmental concerns. It was only under growing pressure from the wider institutional environment that these organizations gradually refined their mission and values to address the environmental impact of their actions. This dynamic tension between institutional integrity and responsiveness, and the role of leadership in this process of adaptation, has not been fully explored by organizational scholars, even though the ability to manage this tension is acknowledged as a central determinant of long-term organizational growth (e.g., Collins & Porras, 1994).

Finally, it would be interesting to explore variations in the potency of institutions over time. Dacin (1997) examined variation in the potency of institutional norms over several time periods. Glyn and Abzug (2002) also examined periodicity in the naming practices of organizations. However, there is still little known about the mechanisms that drive the waxing and waning of the power of institutions across time. Within health care, there have been important shifts over time in the institutional practices and professional norms of physicians, particularly with respect to the primacy of physician autonomy. Scott and his coauthors (2000) provided insight into the underlying historical and structural changes in the organization and power of physicians that have influenced these important variations in professional norms over time. We see potential in knowing more about the cyclical nature of institutions and institutional change. Kostova and Roth’s (2002) findings question prior work that takes a sequential approach to institutionalization. Further examination of the temporal embeddedness of institutions may provide insights into the power, pacing, sequencing, and momentum of institutional change. Work in the area of social movements may offer some interesting insights into issues of temporality.

Conclusion

The articles accepted for this special research forum contribute to knowledge of institutional theory and institutional change. They do so from a theoretical perspective as well as from a methodological one, given the variation they offer in terms of methodology. They also leave us, as institutional scholars, with a set of new directions and a host of unanswered questions. The challenge ahead for institutional scholars will be to continue 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.

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