

## A REVIEW OF THE INSTITUTIONAL CHANGE LITERATURE

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## ABSTRACT

Over the last 30 years, institutional theory has been used to explore the ways in which institutions can constrain and shape individual and organisational behaviour. Although neo institutional theorists have argued that institutionalisation is both a process and a finished state, neo institutional theory has had great difficulty explaining how such institutional change occurs. This paper reviews critically the literature on institutional change, building on an earlier literature review by Van de Ven and Hargrave (2004). An updated and diagrammatic categorisation of this literature (Figure 2), making use of additional sub-categories, represents a modest extension of their work. It is hoped that this paper might serve as a useful summary for scholars interested in appreciating the variation within and between different streams of the institutional change literature.

**Keywords:** critical management theory, theories of change, change process, legitimisation and domination

## INTRODUCTION

Institutional theory can be defined as a body of knowledge in organisation studies that attempts to explain the creation, maintenance and diffusion of institutions, “consisting of cognitive, normative and regulative structures and activities that provide stability and give meaning to social behaviour” (Scott, 1995: 33).

These institutions may be spread to different settings by various carriers such as cultures, structures and routines (Scott, 1995: 33), and may operate and affect world systems and broader society, organisational fields and their organisational populations, individual organisations and actors (Scott, 1995: 59).

Over the last 30 years, institutional theory has been used to explore the ways in which institutions can constrain and shape individual and organisational behaviour (DiMaggio and Powell, 1991, 1983; Meyer and Rowan, 1977). Although neo institutional theorists have argued that institutionalisation is both a process and a finished state (Zucker, 1977/1991), neo institutional theory has had great difficulty explaining how such institutional change occurs (DiMaggio, 1988; Zucker, 1977/1991, 1987/2002; Galaskiewicz, 1991; Powell, 1991; DiMaggio and Powell, 1991; Jepperson, 1991; Friedland and Alford, 1991; Brint and Karabel, 1991; Greenwood and Hinings, 1996; Hirsch and Lounsbury, 1997b, 1997a; Karnoe, 1997; Barley and Tolbert, 1997; Kondra and Hinings, 1998; Beckert, 1999; Clemens and Cook, 1999; Hasselbladh and Kallinikos, 2000; Lawrence, Winn and Jennings, 2001; Wicks, 2001; Dacin,

Goodstein and Scott, 2002; Seo and Creed, 2002; Phillips, Lawrence and Hardy, 2004; Hinings, Greenwood, Reay and Suddaby, 2004; Munir, 2005; Reay, Golden-Biddle and Germann, 2006; George, Chattopadhyay, Sitkin and Barden, 2006).

In the introduction to the special edition on institutional change in the *Academy of Management Journal* in 2002, the editors noted that institutional theory has been criticised for its insistence on institutional persistence and homogeneity, yet institutions do change over time, are not uniformly taken for granted, and have particular effects as well as general effects (Dacin et al., 2002). This paper reviews critically the literature on institutional change, building on an earlier literature review by Van de Ven and Hargrave (2004). An updated and diagrammatic categorisation of this literature (Figure 2), making use of additional sub-categories, represents a modest extension of their work (Hargrave and Van de Ven, 2006; Van de Ven and Hargrave, 2004). It is hoped that this paper might serve as a useful summary for scholars interested in appreciating the variation within and between different streams of the institutional change literature.

## **ORIGINAL REVIEW OF THE INSTITUTIONAL CHANGE LITERATURE**

In 2004, Van de Ven and Hargrave (2004) published a comprehensive review paper, summarising the development of the institutional change literature across a number of different dimensions. These authors, rather than focus on institutional theory *per se*, addressed the institutional change literature and its close relationships with other literatures on social and technical change. They proposed that institutional change could be defined as “the difference in form, quality, or state over time in an institution” (Van de Ven and Hargrave, 2004: 261). Using this definition, they claimed that the institutional change literature developed in two divergent ways. The first group was a form of variance theory that investigated the role of various independent and dependent variables in explaining change. The second group was process theory that took an interest in the temporal order and sequence of a discrete set of events based on a narrative (Van de Ven and Hargrave, 2004: 262). Most work to date was argued to be of this first variance order (Van de Ven and Hargrave, 2004: 262).

Focusing on this second group of relatively neglected process-oriented theory, Van de Ven and Hargrave categorised the institutional change literature into four different perspectives, based on the various mechanisms that explain change. A copy of the authors' summary of these four perspectives is located in Figure 1. The horizontal axis separates the field into those studies that operate at a field level of inquiry from those at the level of the individual organisation. The vertical axis separates those studies that construct new institutions from those that reproduce existing institutions.

Van de Ven and Hargrave's (2004) diagram is the only known categorisation of the institutional change literature at this time, and has been published again even more recently (Hargrave and Van de Ven, 2006) in recognition of its valuable contribution as a summarising device. Closer inspection of their work however, does reveal at least one major shortcoming. The authors have plotted the new institutional change literature, dubbed Institutional Adaptation, as a subgroup of institutional change that focuses on the single actor level of analysis. Most of the neo-institutional change literature cited by the authors however, was conducted at a field level of analysis, although it did provide some clues as to how it might apply at an organisational level. Despite this conceptual weakness, their diagram does have some value in helping to plot the institutional change literature.

### **UPDATED REVIEW OF THE INSTITUTIONAL CHANGE LITERATURE**

Figure 2 is this author's attempt to categorise the most commonly cited institutional change literature among institutional theory scholars, and represents an original contribution to that same literature. This figure employs the same basic framework proposed by Van de Ven and Hargrave (2004) and Hargrave and Van de Ven (2006). However it contains additional distinctions that account for variation and complexities among different research papers in this field. This figure attempts to separate the various institutional change studies into their representative perspectives, but further differentiates them on the basis of whether or not they were primarily empirical or theoretical, whether they developed a process

model to account for change (as opposed to an attribution model discussed earlier), and the extent to which they allowed for the inclusion of a strategic choice or degree of active agency within that perspective<sup>1</sup>.

Van de Ven and Hargrave began their classification of this literature with the institutional design perspective, shown in the bottom right quadrant of Figure 2. In this quadrant, institutions are purposefully created or revised to address conflict or injustice, and emerge from purposeful enactment and social construction. For example, the invention of technical expertise and rational mechanisms for the administration of public resources, so that a US state government (particularly the governor) could appear less political, and the state university more autonomous and legitimate (Covaleski and Dirsmith, 1988). This group is exemplified by old institutional theory. The focus of these studies is the single organisation or individual. From the old institutionalists, Selznick (1949; 1957) in particular is identified, especially for his argument that an organisation only becomes an institution when its leader infuses it with value (Van de Ven and Hargrave, 2004: 266). Stinchcombe (1997) argued later that neo-institutional theory's conception of organisations responding to the myths of their institutional environment (Meyer and Rowan, 1977) contradicted the purposeful creation and staffing of institutions to guard important values that society wanted to protect (Stinchcombe, 1997: 10).

Several more recent studies could be similarly included in this same category, based on the construction of change at a single organisational level of analysis. Covaleski and Dirsmith (1988) and Brint and Karabel (1991) both drew attention to the role of power and self-interest at the organisational and field level in their respective studies of institutionalisation in American Higher Education. Galaskiewicz (1991)

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<sup>1</sup> A number of scholars have called for individuals, interests and a focus on active agency to be reintroduced back into institutional analysis (Zucker, 1977/1991, 1987/2002; DiMaggio, 1988; Powell, 1991; DiMaggio and Powell, 1991; Friedland and Alford, 1991; Fligstein, 1991; Brint and Karabel, 1991; Leblebici, Salancik, Copay and King, 1991; Oliver, 1991, 1992; Holme, 1995; Greenwood and Hinings, 1996; Hirsch and Lounsbury, 1997b; Karnoe, 1997; Johnson, Smith and Codling, 2000; Wicks, 2001; Kraatz and Moore, 2002).

investigated attempts by one organisation to institutionalise social responsibility among companies in the US. Zilber (2002) looked at the active political efforts of new organisational members to infuse new meanings into existing practices in a rape crisis centre in Israel. Barley and Tolbert's (1997) work was argued by Van de Ven and Hargrave (2004) to include one of the few process models from within the Institutional Design literature. These authors drew on Giddens's (1979; 1984) structuration theory as a means to resolve the action-structure dichotomy in social science. Van de Ven and Hargrave (2004) also noted a small literature on the tools that active agents can use to create purposeful change at an organisational level, citing the early works of Lindblom (1965), Alinsky (1971), and Fligstein (1997).

The institutional adaptation perspective, located in the bottom left quadrant of Figure 2, refers to those studies at an organisational or individual level that describe how and why organisations conform to the environment, usually for legitimacy. For example, the adoption of more bureaucratic organisational structures among US sporting organisations following pressure from the state, the imitation of successful and legitimate organisations in the field, and the influence of professional training institutions (Slack and Hinings, 1994). These studies focus typically on the operation of coercive, mimetic and normative isomorphic mechanisms, as per the new institutionalism thesis. Within the neo-institutional conformity literature in this subset, there is a heavy emphasis on organisations conforming to the demands of the institutional environment (Meyer and Rowan, 1977; Zucker, 1977/1991; DiMaggio and Powell, 1983; Jepperson and Meyer, 1991; Slack and Hinings, 1994; Deephouse, 1996), although some allow for various network influences (Galaskiewicz and Wasserman, 1989). Wicks (2001) is one of the only empirical studies to investigate the influence of isomorphic forces at an intra-organisational level of analysis. All other studies within the same quadrant of Figure 2 consisted of either theoretical papers or empirical studies conducted at a field level, from which generalisations were extracted down to an organisational level of analysis.

After the call for greater recognition of the role of politics, strategic choice and active agency in institutional theory, several scholars set about introducing an element of strategic choice into their explanations and studies. Within the organisational level of analysis, they attempted to recognise the strategic choices that are sometimes made on technical or strategic grounds (Johnson et al., 2000; Kondra and Hinings, 1998), occasionally at an earlier stage in the diffusion process (Tolbert and Zucker, 1983), or even against the expectations of neo-institutional predictions (Kraatz and Zajac, 1996).

The institutional diffusion literature, located in the top left quadrant of Figure 2, focuses on how and why specific institutions were adopted and diffused across a population or field of organisations. For example, in a study of the diffusion of TQM practices through US hospitals, early adopters gained greater technical and efficiency benefits, while later adopters gained legitimacy (Westphal, Gulati and Shortell, 1997). Much of this work draws on population ecology (Dacin, 1997; Haveman, 1993; Lee and Pennings, 2002; Sing, Tucker and Meinhard, 1991), with its various density and dependence arguments for legitimacy and competitive selection which assume strong pressures of environmental determinism. Several of these studies also draw upon network explanations (Burns and Wholey, 1993; Westphal et al., 1997) to account for the diffusion or spread of new institutional forms across a field of organisations. Van de Ven and Hargrave (2004) argued that much of the management fashion literature, particularly that produced by Abrahamson (Abrahamson, 1991, 1996a, 1996b; Abrahamson and Fombrun, 1994; Abrahamson and Rosenkopf, 1990, 1993, 1997), also falls under this same diffusion framework.

Within the institutional diffusion literature, various recent studies have also attempted to introduce a degree of strategic choice (Hasselbladh and Kallinikos, 2000; Tolbert and Zucker, 1996). Oliver's (1992) seminal work on de-institutionalisation is often noted for the way that she recognised a host of political, functional/technical and social explanations in her framework. Goodstein (1994) modelled much of his work on Oliver's (1991) work, but drew on a field-level empirical frame for his analysis. Greenwood et al. (2002) proposed a process model for understanding the diffusion of institutions that took account of the

role of institutional entrepreneurs and the professions in acting upon externally generated shocks that ultimately affected whether they institutionalised or became a fashion. Thornton (2002) and Lounsbury (2002) both conducted longitudinal studies that looked at the capacity of actors to choose their response under conditions of conflicting institutional logics in the wider field. Sherer and Lee (2002) and Casile and Davis-Blake (2002) investigated the combination of resource dependency and institutional frameworks in their explanations of change. Kraatz and Moore (2002) investigated the impact of executive migration upon the decisions of US liberal arts colleges in the 1970s and 1980s. Finally, Spell and Blum (2005) investigated the role of strategic choice and institutional factors in influencing the adoption of workplace substance abuse programs. Van de Ven and Hargrave (2004) argued that attempts to add such a strategic choice perspective to this literature actually bring this group much closer to the institutional design perspective (Van de Ven and Hargrave, 2004: 277).

Finally, the collective action models, located in the top right quadrant of Figure 2, focus on processes initiated by social movements and entrepreneurs pursuing technological innovations, with a particular interest in how new institutional arrangements emerge from interactions among interdependent partisan agents. For example, researchers influenced the development of cochlear implants through their frames of reference and levels of inclusion (Garud and Ahlstrom, 1997). In this grouping, there was an attempt to examine the political opportunity structures and framing processes surrounding institutional arrangements, as well as networks of distributed and interdependent actors who become embedded in these collective processes. This group took an interest in intentional efforts to produce change, but adopted an industry or interorganisational field as the unit of analysis, rather than the individual actor.

The earlier studies of Leblebici et al. (1991) and Fligstein (1991) both reviewed major industry changes as a result of the actions of key individuals and organisations at a field level of analysis. Of current interest to many scholars is the study of institutional entrepreneurship, or those shaping institutions as they emerge to change the nature of industry dynamics (Lawrence, 1999), first called for by DiMaggio (1988). Various



studies have looked at the influence of a range of different types of institutional entrepreneurs, including scientists (Zucker and Darby, 1997), researchers (Garud and Ahlstrom, 1997), authors (Hoffman, 1999), sponsors of new technological standards (Garud, Jain and Kumaraswamy, 2002) and activists (Maguire, Hardy and Lawrence, 2004). New institutional arrangements have also come about as a process of collaboration (Lawrence, Hardy and Phillips, 2002), central network positions (Greenwood and Suddaby, 2006) that identify institutional contradictions (Seo and Creed, 2002), and the devising of new measurement instruments for corporate social responsibility (Dejean, Gond and Leca, 2004). The most recent literature has taken a keen interest in the different mechanisms of power that entrepreneurs use (Lawrence et al., 2001; Greenwood and Suddaby, 2006), particularly the role of discourse as a key mechanism at their disposal (Abrahamson and Fairchild, 1999; Green, 2004; Munir, 2005; Phillips et al., 2004; Suddaby and Greenwood, 2005).

### **BOUNDARY SPANNING INSTITUTIONAL CHANGE MODELS**

A number of scholars have also called for greater attention to be paid to the examination of micro-level processes and their relationship to broader field-level dynamics (DiMaggio and Powell, 1991; Hirsch and Lounsbury, 1997b, 1997a; Zucker, 1977/1991). Figure 2 identifies a limited number of recent studies that have linked both micro (intra-organisational) and macro (field) levels of analysis, and have also simultaneously recognised the capacity of individuals and organisations to construct and reproduce their environments. Although the institutional entrepreneurship literature has provided a focus on the activities of a number of key individuals and their impact on the broader field, it has generally not linked these examinations to the intra-organisational dynamics that produce and are produced by these actions. Greenwood and Hinings (1996), Barley and Tolbert (1997), Arnt and Bigelow (2000), Farjoun (2002), Seo and Creed (2002), Dorado (2005), George et al (2006) and Reay et al. (2006) are the only known studies that have drawn explicit attention to this link. Van de Ven and Hargrave do not make this distinction in either their 2004 or 2006 works.

Greenwood and Hinings (1996) proposed a process model that linked the internal dynamics of the organisation with its institutional and technical environments in such a way as to recognise the old and new institutional literatures on institutional change, particularly as they might apply to understanding radical organisational change. Their model also argued for the need to recognise vested interests and political pressures at an intra- and inter-organisational level.

Arndt and Bigelow (2000) investigated how hospital administrators in an institutional environment used different impression management strategies to present innovative changes to their stakeholders in an environment of taken for granted structure that was heavily institutionalised. Hospital administrators created the impression of coercive and mimetic forces, even though there were none directly bearing on them (Arndt and Bigelow, 2000: 513). These hospitals did not adopt innovations to increase their legitimacy as per traditional neo-institutional theory, but created institutional rationalisations for institutional forces in the early stages (Arndt and Bigelow, 2000: 513).

Barley and Tolbert (1997) drew upon Giddens's (1979; 1984) structuration theory and proposed their own sequential model of institutionalisation. Their model theorised the role of institutional constraints on action through the processes of socialisation and internalisation. They also theorised the influence of individual action on institutions through the conscious and unconscious revising of behavioural scripts, often in collaboration with exogenous changes in the environment, and the externalisation of these newly patterned behaviours.

Farjoun (2002) attempted to draw together a dialectical framework that recognised the contested internal and external influences on organisational decisions and institutional development, particularly within emerging and turbulent fields. Farjoun's model suggests that the very processes of institutionalisation will foster both convergent and divergent forces, including the setting up of endogenous changes from a range of functional, political and social sources (Greenwood and Hinings, 1996; Oliver, 1992). Although

internal to the institution, they can also result in external changes in technology, competition and uncertainty. These can result in contradictions in different functional, political and social sources, and lead to opposition from actors with alternative templates who may exploit these contradictions to transform institutions (Oliver, 1991). The path of their advancement however, is likely to be mediated by historical institutional developments that set up conditions, both internally and externally.

Seo and Creed (2002) similarly proposed a dialectical institutional change model that depicted the historical development of institutional contradictions and human praxis (defined as “political action embedded in a historical system of interconnected yet incompatible institutional arrangements”[Seo and Creed, 2002: 223]) as the key mediating mechanisms linking institutional embeddedness and institutional change.

Dorado (2005) provided another model that attempted to integrate much of the work in the institutional change field by proposing a process model that accounts for different levels of analysis and different modes of explanation. Dorado argued that institutional change can take the profile of entrepreneurship, partaking or convening. It rebuilds the factors commonly seen as defining institutional change, namely agency, resources and opportunity (DiMaggio, 1988).

Actors were claimed to identify opportunities for change. However, their ability to do so depended on objective conditions in the organisational field being either impacted by the number and overlap of field referents or by the degree of institutionalisation in the field. These conditions could range from opaque (low multiplicity of arrangements and high institutionalisation), hazy (high multiplicity of arrangements and low institutionalisation) or transparent (moderate multiplicity and institutionalisation). Actors may also perceive these differently depending on their social networks and temporal orientation.

George, Chattopadhyay, Sitkin and Barden (2006) attempted to develop further the cognitive underpinnings of institutional change by integrating the predictions of prospect theory and threat-rigidity

hypothesis with an institutional model of change. Their construct focused on an organisational decision maker's interpretation of environmental pressures in predicting isomorphic or non-isomorphic change, depending on whether such pressures were perceived to address primarily threats or opportunities in relation to organisational control or resources.

Finally, Reay, Golden-Biddle and Germann (2006) investigated the micro processes of legitimating change (a new structural nursing role) within a nursing context in Canada. These key micro processes involved cultivating opportunities for change, fitting the role into prevailing systems, proving the value of the new role, and celebrating small wins along the way.

## **CONCLUSION**

There has been much activity directed towards understanding institutional change at a range of levels, including a more recent shift to recognise the role of active agency and the operation of different interests in institutional explanations. Further integration of the insights of old and new streams of institutional theory (represented by the categories institutional design and institutional adaptation respectively) would promote further a renewed focus on the relationship between the activity and interests of individuals and organisations and broader environmental and institutional changes.

There is still much more work required to understand the micro processes of intra-organisational change, and how the activities of individuals affect and are affected by broader macro institutional developments. Future research could contribute further to this agenda by ensuring that the unit of analysis is the change process itself and the actors that create them, rather than the collective pattern of institutionalisation (Karnoe, 1997; Zucker, 1977/1991). Authors of future studies might therefore consider following the lead of the before mentioned boundary spanning studies in their attempts to contribute to the literature on institutional change.

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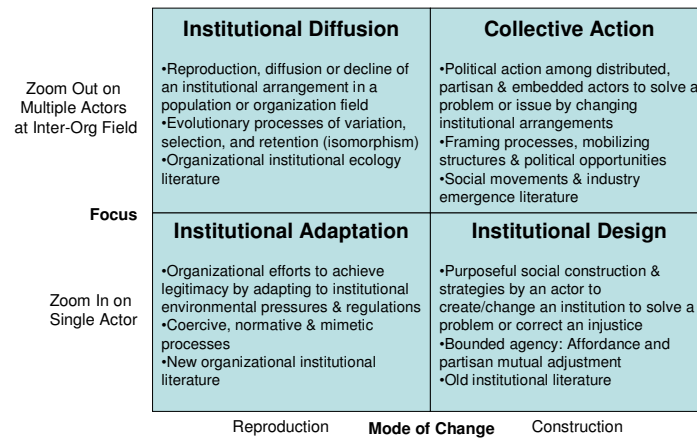
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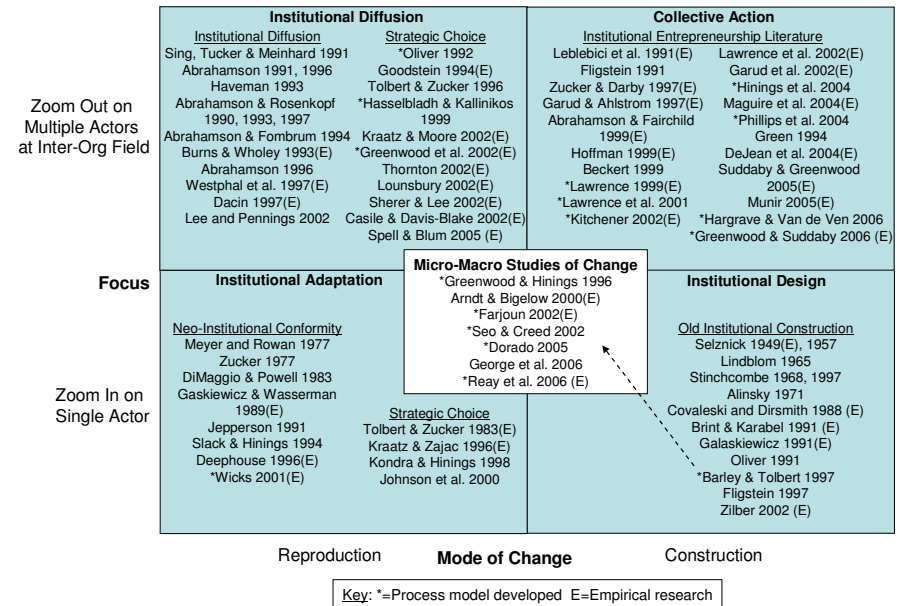
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**Figure 1: Perspectives on Institutional Change**



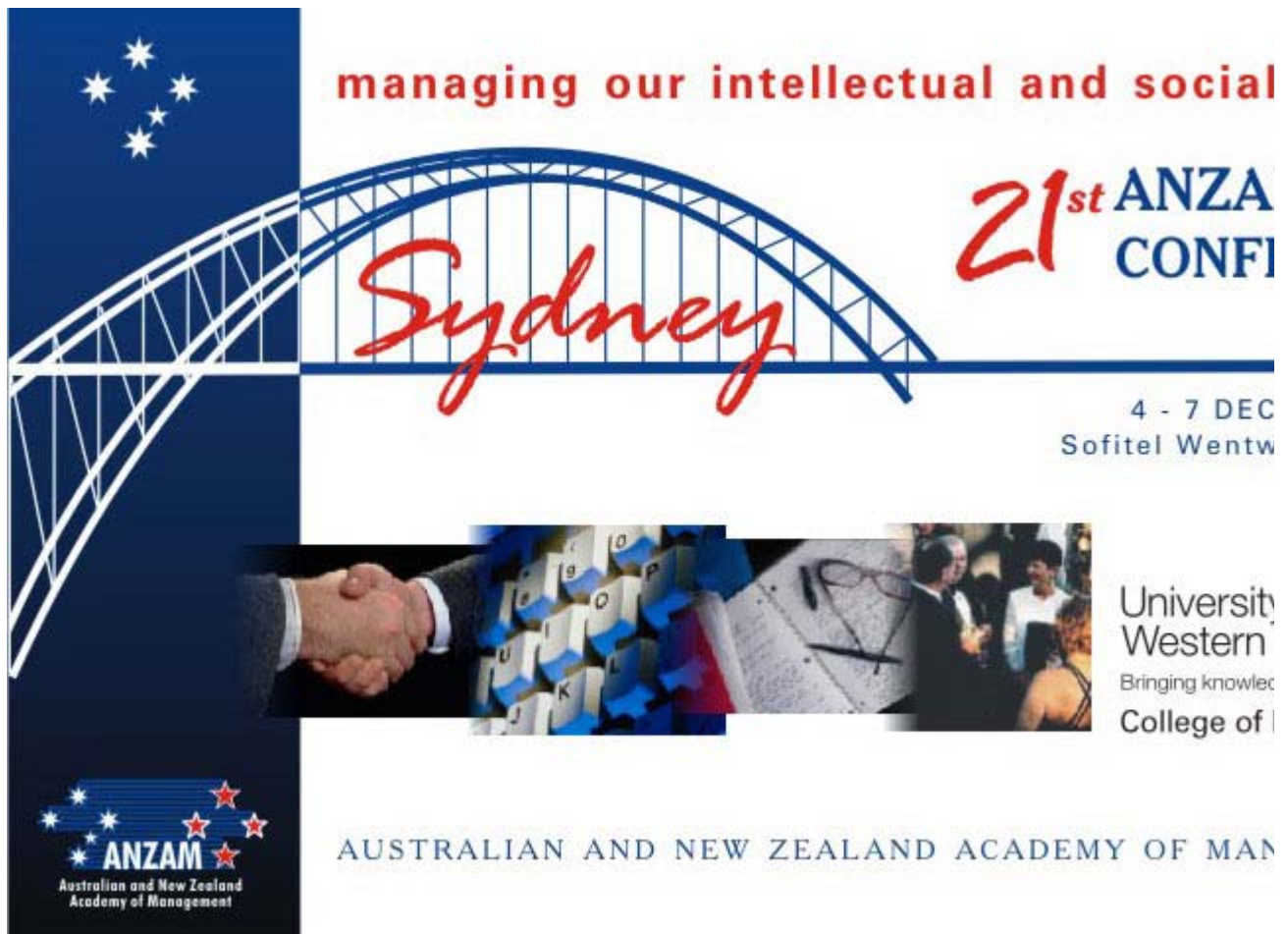
Source: Van de Ven and Hargrave (2004: 293)

**Figure 2: Detailed Categorisation of the Institutional Change Literature**



Source: original contribution, drawing upon Van de Ven and Hargrave's (2004: 293) Perspectives on Institutional Change framework.





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