

Reflections on developments in institutional theory: Toward a relational approach

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Abstract

In this review article, we reflect upon recent developments in institutional theory with particular emphasis on first, how organizational fields have been conceived and second, on how action has been conceptualized and incorporated into institutional accounts. We show that progress has been made in regard to our understanding of field level processes and the role of institutional actors. However, we also identify a number of weaknesses and challenges, which we assess in the context of developing a relational approach to institutional analysis.

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1. Introduction

In this review article we concentrate our attention on developments in the largely North American literature on institutional processes that has derived from DiMaggio and Powell's (1983) article outlining institutional pressures in organizational fields.¹ The concept of an organizational field 'connotes the existence of a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully

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¹We recognise that this literature develops from earlier work by institutional theorists such as Selznick and that these issues have been picked up and developed by scholars working in related social science disciplines. Much of the interest for European scholars has been on how institutional forces operate at societal levels (e.g. Crouch, 2005). This provides the context for this review but lies outside our particular focus.

with one another than with actors outside of the field' (Scott, 1994, pp.207–8). In this formulation, institutional theory offers insights into the continuity and conformity of organizational practices through an appreciation of organizational field-level processes. Institutions are conceived as 'multifaceted, durable social structures, made up of symbolic elements, social activities and material resources' that enable or impose limitations on the scope for human agency by creating legal, moral and cultural boundaries (Scott, 2001, p. 49). The sanctioning power of rules and regulations, the stabilizing influence of dominant social beliefs and norms and the social construction of shared frameworks of meaning, offer the means to explain social conformity and field-level cohesion. Institutional studies infer that organizational behaviours grow to become routinized because such social norms, rules and meanings become largely taken-for-granted. Interest in routinization is not, however, based on developing a better sense of organizational efficiency (see Nelson & Winter, 1982), but indicates the way routines facilitate exchanges among members of an organization (Friedland & Alford, 1991; Zucker, 1988).

Given such tendencies much initial work assumed that institutions, once formed, would remain stable unless other interested actors mobilized to change them (DiMaggio, 1988). While these ideas and associated assumptions about the nature of social systems are themselves deeply embedded in the field of institutional analysis they have been the subject of increasing criticism. In particular, the assumption of continuity and stability has been critiqued, leading to a widespread interest in 'institutional entrepreneurship' (Beckert, 1999; Dorado, 2005; Greenwood & Suddaby, 2006; Seo & Creed, 2002). In this review article, we reflect upon recent developments in institutional theory with particular emphasis on first, how organizational fields have been conceived and second, on how action has been conceptualized and incorporated into institutional accounts. In this regard we argue that a more holistic approach to field level processes and a re-engagement with the role of agency and interest during field reproduction has precipitated a re-appraisal of institutional processes (see Hirsch & Lounsbury, 1997; Lawrence & Suddaby, 2006). However, we also argue that despite the considerable progress that has been made in regard to our understanding of both field level processes and the role of institutional actors there remain several weaknesses and challenges.

Early work on organizational fields reflected an assumption that fields may be treated as 'entities' or systems in a way that has led to a preponderance of overly structural and contingent accounts. In addition, the literature has tended to concentrate attention on one aspect of field level development and change to the detriment of a more holistic understanding of the inter-relationships between key dimensions. These weaknesses have only partially been addressed by a largely separate line of theorizing around institutional entrepreneurship that has sought to address perceived failings in the treatment of actors and agency in earlier studies. This has concentrated on actors as change agents and has placed undue emphasis on processes of institutional change (see DiMaggio, 1991) resulting in an enduring failure to engage meaningfully with the significance of action in *maintaining* institutional conditions.

Much of the work on institutional change has been based on process models that tend to reinforce an appearance of institutional change as mechanistic and contingent (for a review of the literature see Van de Ven & Hargrave, 2004). This work also relied upon a punctuated equilibrium model of change (Abernathy & Clark, 1985; Tushman & Anderson, 1988; Tushman & Romanelli, 1985). This has closed down the space for a thoroughgoing treatment of agency in relation to both change and continuity. Conversely,

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