

Some Issues In The Institutional Theory: A Critical Analysis

Ibrahim. A.H.Mohamed

Abstract: This paper has been presented to outline some issues with the institutional theory and it is based on the theoretical understanding. In order to conceptualize the rules, their pragmatic application will be discussed. There are many efforts have been made to develop this theoretical perspective for developing empirical understanding of the theory. During recent years, this theory went through major advancements and gained popularity; however, we believe that it has several significant theoretical/methodological issues, which limit its applicability and effectiveness. The most important issues include static institutional explanations, and difficulty while calculating some institutional variables. In this study, we have addressed a major issue with this theory, which is its static nature, using the "institutionalization" concept, explaining institutional structures, and developing better institutional explanations. This study negates/refutes the claims of many researchers, who stated that the institutional theory is rich in concepts and has advanced to, "warrant more formal models and codification." The present study is an effort to resolve the conflict between researchers belonging to different schools of thought on the theory. In this paper, we tried to identify the range and depth of the conflicting concepts and areas of agreement. This paper demands of researchers and specialists to clarify their stance providing details and contributing towards this theory's further development, which will certainly benefit researchers and professionals in this field.

Keywords: Institutions, Institutional theory, Institutionalization, Institutional Structures, Organizations, Issues, Concepts

1. INTRODUCTION

First, we will give an overview of the institutional theory, and the way it changed during the last 30 years. Then, we'll define and determine the concepts pertaining to the Situational Theory, which laid the basis for it. We will also review some relevant theoretical debates in more detail through theoretical explanation of the overall institutionalization process. We will present historical overview of sociological theorizing and organizational research conducted by many researchers, which will clarify the relation between the institutional theory and previous organizational structures because they are essential for understanding. The second part reviews the first version of this theory in literatures of Meyer, Rowan, DiMaggio & Powell (1977), focusing on the major theoretical challenges and previous empirical approaches to organizational research. There is a logical ambiguity in the formulation of this theory. In the last part of the article, we will support the Institutional Theory with references of Rowan, Tolbert, and Zucker and finally, we will review some of the theoretical issues found in this theory.

2. LITERATURE REVIEW

Institutionalism is complex and covers many fields like economics, sociology, political science, history and ecology. Moreover, it is complex because institutionalism is itself divided in two schools: 'old' and 'new' institutionalism (Greenwood et al., 2008). Some researchers believe that the foundations of 'organizational institutionalism' were laid from 1977 to 1983 after publishing of researches by Meyer and Rowan (1977), Zucker (1977), DiMaggio and Powell (1983), Meyer and Scott (1983) and Zucker (1983). From 1983 and 1991, researchers believed that social values have effect on organizations adopting certain structures for legitimization. Yet, 'institutional ideas' were tested, and citations were quoted in the seminal papers (Greenwood et al., 2008). Many 'institutionalized organizations were studied, which were either public or humanitarian organizations while the private companies and markets were overlooked. Most of the organizations were deemed as 'too passive', so the theory was objected for its 'agency' dimension, which was insufficient to explain social phenomena. Since 1990s, institutional theory became popular despite its conceptual ambiguities such as

institution, institutionalization and institutionalism, and the way macro/micro institutional factors are reconciled. For clarity, Jepperson (1991: 145 and 152) defined the institution as 'social order' having a certain state or property institutionalization. He added that such attainment / institutionalism has features of institutional approaches, which led to discovery of two further institutional concepts. Deinstitutionalization is 'the erosion / end / discontinuity of an institutionalized organizational activity or practice' (Scott, 2004, p 363). Institutionalization represents an "exit from one and formation of another different institutional form" (Parly, 1986). During the last 20 years, institutionalized concepts including legitimacy, logics and isomorphism gained wider popularity. Suchman's (1995) study distinguished among pragmatic, moral and cognitive legitimacy. DiMaggio and Powell (1991) claimed that institutional isomorphism gained researchers' interest, which is focused on process & transmission studies. Recently, institutional entrepreneurship and change management gained researchers' focus and they explored the role agency plays in the institutionalized patterns of behavior. Characterized by pluralism and ambiguities, institutional theory still remained important for the researchers across the disciplines. In the last 10 years, IS gained interest in the institutional theory. These contributions are varied as large number of studies focused on institutionalized approaches to analyze data. Barley (1986) claimed that IS has included topics on adopting, diffusing, developing and implementing structural changes in societal and industrial sectors, notably, SMEs, manufacturing, health and financial services. Jepperson pointed out forgetfulness in the institutional theory as it is constructed on specific and institutionalized assumptions. Later, DiMaggio and Powell (1991) attempted to reconcile the internal differences, so, institutional theory's particularity was researched (Scott; 1991) but mostly, it was not critically analyzed. Here we examine it in a series of reflections. We consider the contributions of supporters of this theory and focus on Berger's and Luckmann's discussion on institutionalization as this has provided inspiration and legitimacy for institutional theorists. Our specific focus is on questions of how 'agency' and 'power' are addressed and incorporated within institutional theory.

2.1 INSTITUTIONS & INSTITUTIONAL THEORY

Institutions mainly have two dimensions. The rational perspective sees institutions as instruments to understand the tasks, for which, they were created. For example, Olson (1965) and Williamson (1975) defined institutions as "efficient solutions" to "predefined" problems. The new institutionalisms in organizational theory focus particularly on the aspects of institutions that are ignored by the rational school. They define institutions as the social/routine programs or rules. According to an earlier version of this theory by Selznick et al., Selznick viewed organizations' structure that can be shaped according to characteristics/commitments of participants/environmental influences and constraints. His definition of institutionalization referred to his adaptive process as well. The version two and three of the institutional theory belongs to Peter Berger. Berger and Luckmann (1991) believed that institutionalization depends on actions by different actors called "habitualized action," which, according to them means: "empirically developed behaviors by an actor or group of actors that solve recurring problem/s. The one thing they all emphasized was the necessity of employing the historical approach. Another version of the theory is attributed to Meyer and Rowan (1977). They argued that organizational forms depend on 'rational myths' or shared beliefs besides the 'relational networks'. In another words; this version emphasizes that the institutionalized belief systems constitute a distinctive class of elements that affect organizational structure. With this new version, the organizational environment features have been reconsidered and sources such as cultural elements, symbols, normative beliefs, etc. have gained attention. The fourth version tried to link the traditional version with the latter. It focused mostly on differentiated and specialized cognitive and normative systems in almost all the societies in different forms and contents. Despite many varying approaches presented so far, the institutional theory focuses on explaining the isomorphism of organizational fields specifically pertaining to institutional norms. Organizations that conform to these institutional norms become "optimal, if not efficient, and they prolong their survival by making use of these norms;" therefore, it minimizes the risk of organizational death as Baum and Olivier (1991) pointed out in their work. This explains why organizations must have strong ties with external constituents for gaining their objectives. In general, this is done by the organizational structure, which is basically included in the design or rules of the organization. Meyer & Rowan believe that the elements of the formal organizational structure serve as symbols or elements with a primary purpose is to signify certain attributes instead of accomplishing actual results Meyer, J. and Rowan, B. (1977). External constituents show that it is acting in a rational, stable and predictable manner. If the organizations succeed in this process, the symbols are then replicated by other organizations. Jepperson concludes that formal and social processes have distinct functions. He says that the structural institutionalized elements play a symbolic role for organizational legitimacy. Social processes are affected by the socialization practices, which play a more literal role in helping the organization achieve its technical objectives.

2.2 INSTITUTIONALIZATION

The institutionalization literature, which has been too theoretical, focuses on codes of ethics. The empirical research followed the same pattern when the researchers (Chatov, 1980; Cressey and Moose, 1983; Mathews, 1987; Kaye, 1992) analyzed corporate codes of conduct for comprehending their contents. Murphy (1988) and Brenner (1992) pointed out that institutionalization of ethics must be more than drafting a code of ethics; instead, it has to involve top management's support, ethical leadership and cultural change operating policies. Broom and Selznick define institutionalization as the 'emergence of orderly, stable, and socially integrated patterns in loosely formed organizations. Selznick later in 1957 said that institutionalizing means infusing with value beyond the technical requirements while performing any task. He clearly viewed institutionalization as a 'process' as something "that happens to the organization over time." Scott (1987) noted that organizations either give up or change their reactions depending on circumstances or demands. Burke et al described institutionalization as a set of developing standards, principles and codes appropriate for transparency to help customers and clients. Organizations change in their formal structures depending on the environment, in which they survive. At bottom, this change means that during the institutionalization process, organizations show similar characteristics that support success and continuity making them accepted within the social environment. DiMaggio and Powell explained how this change occurs, meaning how the organizations adopt similar formal structures or characteristics despite different operating technologies. According to them, three interdependent forces do this: normative, coercive and mimetic, which lead towards isomorphism. Professionalization, which is common in many forms of normative influence, has been recognized as a mechanism of institutionalization. Economic, structural and legitimization-based forms of coercive isomorphism make the organizations adopt new bureaucratic practices. Mimetic isomorphism means imitating the characteristics of other organizations. In this process, some behaviors are developed, exported and repeated in new contexts in different individual, organizational and inter-organizational levels. By the end of institutionalization, isomorphism occurs. In other words, institutional isomorphism occurs because organizations usually repeat the actions of similar but more successful or legitimate organizations. This is the main reason why institutionalization is sometimes seen as the process that makes organizations look alike. As a result, institutionalized companies are actually accepted by the environment and they experience continuity. Institutionalization or change, as we called it above, should start from the top management since their success closely affects the process. Another thing that affects this process is the value given to the employees since it affects culture by promoting institutionalization. Pava points out some negatives of institutionalization. He says that a major defect of institutionalization becomes difficult because of change in rules and procedures. Second, as organizations develop and harden; human ideation, creative ideas and emotions are systematically avoided. Pava further says that the search for meaning becomes more difficult. These negative aspects make some people think of institutionalization as something bad that turns the organizations into slow/clumsy entities instead of nimble and fast ones (Lawrence, 1991). Concise description of theory: knowledge in the Institutional theory

focuses on deeper/resilient aspects of social structure. It lays schemes, rules, norms, and routines for social behaviors (Scott, 2004).

2.3 INSTITUTIONAL STRUCTURES

Institutionalized structures generally rely on socially constructed realities (Berger & Luckmann, 1966; DiMaggio & Powell, 1991; Meyer & Rowan, 1977). From this aspect, pragmatic orientation is the key component of institutions (Berger & Luckmann, 1966). Social actors draw on institutionalized knowledge as are source of guideline for their everyday lives, which has been elaborated in Giddens' Structuration Theory (1984), which emphasizes "practical consciousness" by knowledgeable actors: The knowledge in Schutz's phrase is directly inaccessible in the actors' conscience. Structuration theory focuses on the capability to "go on" with social practices, which requires knowledge as a set of rules: "These rules can be seen to structure, to shape the practices that help organizing" (Cassell, 1993). Rules, from this perspective, are understood as "techniques or procedures used to implement social practices" (Giddens, 1984: 21). Meyer and Rowan (1977) argued that organizations toned to incorporate the practices/procedures based on rational concepts of social institutionalization (Meyer & Rowan, 1977: 340). These rules redefine rules and means of institutionalization (Meyer & Rowan, 1977: 344). "Coping rationally" from this perspective, means ability to express rationale of actions to other actor/s. For this, "prevailing rationalized concepts" should be implemented for specific organizational purposes. Thus, institutional theory distracts the attention from real-life concepts of transparency and truth (Weedon, 1987). An institutional approach deals with process-based knowledge as rules are enacted; not divined (Lawrence, 1999). Defining institutions: There is universally accepted definition of an institution as Scott (1995:33, 2001:48) believes: "Institutions are highly resilient social structures." Powell and DiMaggio (1991) defined the institutionalism as: "The new institutionalism comprises rejection of rational-acting models and interest-driven variables."

2.4 ENACTMENT AND (RE-)PRODUCTION OF INSTITUTIONS

They depend on actors' behavior. Socialization process, when internalized, changes into an attitude with specific pattern. In this manner, institutions are continuously (re-)produced. The enactment of an institution objectifies it but after some time, the institution, and its behavior becomes regimented/taken-for-granted. Then, it can be difficult for the actors to justify their behavior and in fact, it is partly controlled by the institution. Acting in liaison with institutions is viewed as rational by those who share the institution (David, Mohmoud, Hugh, 2010).

2.5 SOME DEFINITIONS, WHICH HAVE BEEN PRESENTED SO FAR, DIFFER WITH SCOTT:

2.5.1 The Concept of Institution

Although one of new institutional theory's main contributions include managing the organizational research in its cultural-cognitive dimension (Scott, 2008), but researchers have just focused on regulatory and normative aspects (Phillips and Malhotra, 2008). The regulative and normative pillars create stability by allowing deviating behavior. Such sanctions are not compulsory for cultural-cognitive pillar. Zucker(1977) argues

that sanctions may deinstitutionalize an institution's culture-cognitive pillar, which makes the institution less objective and impersonal but they are important characteristics of cognitive institutions. Scott's claim can be too strong as actors may/may not know different acting methods, which makes no sense (Lizardo ,2010,). Cognitive institutions put a constraint on an actor's range of actions. Although cognitive institutions are central in the new institutional theory, no agreement between experts exists on what they really are (Zilber, 2002 ; Greenwood et al., 2008). Greenwood openly challenged every approach that defined these institutions as taken-for-granted either through practice or through behavior (e.g., Giddens (1979); Greenwood et al. (2008). This institutional concept resembles Meyer and Rowan's (1977, p 341) described as "...facts that actors must consider." Berger and Luckmann (1967, p54) argued that an institution is "...a reciprocal typification of habitualized actions by different actors." Institutions are believed to be "socially-constructed institutions for action" (Barley and Tolbert,1997, p 94).

2.5.2 Conceptualizing institutionalization

While presenting his very important text on the theory, Scott, (1995/2001) identified Parsons' definition of institutionalization as a synthesis of the arguments of earlier major theorists (e.g. Veblen, Commons, Durkheim, Weber): 'An action system is said to be institutionalized when the actors orient their action to a common normative standards and values (Scott, 1995/2001). For Parsons, compliance to institutional norms 'is a need in the actor's personality (1951: 37, cited by Scott, 1995/2001: 12), and compliance is assured through moral authority that institutional norms exert over the individual. Actors need to comply; otherwise, refusal/failure might create anomie and, at the extreme, mortification. Critics of this (functionalist) conception of institutionalization have argued that actors' needs are sometimes very important in the whole institutionalization process. A widely canvassed remedy for this limitation is to emphasize the role of interests, instrumental, or/ rational choices (Silverman, 1970; Alexander, 1983). We use flip-flopping approach towards structuralist and action-theoretic accounts of social action. Flip-flopping depends on recognition and denial by advocates of the alternative pole. So, for example, Parsons' systems-theoretic conceptualization of institutionalization is censured for assuming a human-action model that complies with moral authority and it is governed by the 'need' to internalize its order(s) rather than a calculation by agents that involves the strategic development of, or identification with, particular norms and values. It is notable that mention of agency is largely excluded by Meyer and Rowan's (1977/1991) paper, in which, methodological individualism is clearly signaled.

2.5.3 Definition of institutionalization

Institutionalized rules are socially developed rules or their interpretations (Berger and Luckmann, 1966: 54). Such rules might be based on public opinion or prevalent laws. Institutionalization includes social processes, which have rule-like status in social action and thought. (Meyer and Rowan, 1977/1991, p42). Both the researchers mentioned above omitted references, which exclude institutionalization and its consequences possibly, because they equate power with a notion of one individual/group possessing the power to secure their interests in spite of resistance by others. The development of neo-institutional theory has involved a

rehabilitation of a notion of agency (and power and interests) so as to account for change that, in part at least, are attributed to the interventions of important stakeholders (DiMaggio, 1988). For further developing and deepening our concepts about institutionalization, Berger and Luckmann provide the needed guideline. The social construction of reality provides the theoretical underpinning and legitimacy for institutional theory (Gulrajani and Lok, 2005). Institutionalization refers to concepts, social roles, particular values or behaviors observed in organizations, social systems, or societies. This term is also used for specific individuals or particular groups such as a welfare group. It may be politically used for an organization, government institution or specific body for implementing welfare or development policies. Institutionalization is usually described as a "social process that makes individuals agree on a shared definition of social realities" (Scott, 1987, p 496). The researchers like Kennedy, Fiss, Walgenbach, Etzion, Ferraro, Tolbert, and Zucker criticized the new institutional theory. Phillips et al. criticized the theory because it was "focused on effects completely ignoring the institutionalization process." Moreover, the new institutionalists focused on institutionalization only on macro-levels despite the fact that it also took place on macro levels (Zilber, 2002, 2008). Researchers believe that on micro levels, institutionalization has three stages including externalization, objectivities, and internalization. During externalization stage, individuals believe that institutions are external entities in the sense that they exist independently of any particular individual. During the second stage, institutions become practical and perceptible social realities mainly because their existence is no longer questioned as they seem natural. So, during the third stage, individuals internalize their existence as necessary parts of the society and many people start taking them for granted. The institutions should focus on their actions and the language, through which, they communicate with the actors of any community (Berger and Luckmann, 1967). The linguistic perspective can be developed using a discourse, which throws light on how discourse helps institutions grow and create impression on people's minds. Actions produce texts, particularly those actions that require sense making, since they are either novel or surprising, and those affecting organizational legitimacy. Later, agents adopt and incorporate some texts, which then get embedded in their discourse. Therefore, discourse produces institutions, which means that social agents produce established methods for institutions to act in specific social situations. As Phillips et al. (2004) further argued, institutions are connected with actions, since they constrain and make the actions possible, which can be explained with the help of a fact that the institutions also influence future texts and discourses emanating from actions. Finally, Barley and Tolbert (1997) presented a behavioral approach to institutionalization. They combined new institutional thoughts and conducted researches on them. Earlier, Giddens's (1979) presented his Structuration Theory on institutionalization based on sequential process. In earlier institutionalization concepts, institutional principles were encoded in scripts, which actors can use in certain social settings. By this means, actors internalize appropriate behaviors in social settings but the next moment, the encoded scripts that encode institutional principles, which are enacted in some social settings, are applied. Barley and Tolbert (1997) presented their argument that enacting a script does not necessarily entail a conscious choice by the agent; they are

often not aware of another behavior choice. Therefore, the authors reasoned that agents "...simply behave according to their perception of the way things are" (Barley and Tolbert, 1997, p102). In the third institutionalization movement, scripts were created/revised/replicated for strong social action. The fourth movement of institutionalization, externalization and objectification includes replicated scripts without much revision. This implies that patterns are disassociated from actors/circumstances. Overall approaches can be extended in two ways: first, by depicting how an institution accepts non-linguistic processes, it might develop a more comprehensive model of institutionalization; second, through analysis of cognitive processes to recognize/energize the cognitive "black box" (Zucker, 1991).

2.6 INSTITUTIONAL THEORY

Major institutional theorists were Meyer & Rowan, DiMaggio & Powell. They asserted that the environment in any institution highly influences the formal structure development even more than market pressures. Any innovation-based structure can be easily legitimized in that organization. Ultimately "irrational and negligent" is the final perception of behavior when the organizational actors do not accept those innovation, which become legitimized or critical. Organizations acquire and promote a formal structural form that doesn't even increase efficiency just for the sake of legitimacy. Organizations introduce/adopt specific "vocabularies of structure" like designations, procedural names, and employees' roles because they also provide legitimacy. Organizations continuously exhibit a behavior that can be explained as "trappings of legitimacy" to show that its actions are based on "good faith." Legitimacy, in one sense, is the need of an organization to stay relevant and increase its life-cycle. However, the legitimacy out of these formal structures can lead to efficiency-reduction and technical or market competitiveness. For reducing this negative outcome, organizations should de-couple the technical departments/research facilities from their legitimizing structures. DiMaggio and Powell believed that institutional pressure/s improve homogeneity within the organizational structure/s of any institution, for which organizations introduce specific structures. Generally, organizations face three kinds of pressure. First is coercive pressure that comes from their partner organizations or stakeholders they depend. Second is mimetic pressure from other successful firms and finally, normative pressure comes from professional groups/associations/employee groups (Tolbert, 2008). Tolbert and Rowan observed public schools of California and observed consensus, cooperation in organizational settings, and innovation, which makes them competitive and long-lasting. They observed that adoption-process is generally slow and careful. Tolbert and Zucker further researched Rowan's findings in civil service organizations in the United States from 1880-1935. Their results acknowledged and affirmed the arguments presented above. They confirmed that in case of higher coercive pressure, institutions/organizations undergo a process of introducing or making new structures but rate of their adoption is normally too slow; however, higher adoption rate increases legitimacy, which helps further adoption of new and effective structure. Population, Community, and Institutional Theory: We have undergone many organizational research perspectives on relevant topics and found that it is not very helpful to term some approaches as "correct" and

ignoring others altogether. We feel that each approach is applicable/useful under different organizational structures/situations. The complex organizational systems and functions require a set of approaches because a single approach cannot fully help most of the time, as the situations are not "given" but "emerging" and the organizations need to handle them before letting them create a whole plethora of issues.

2.7 GENERAL ISSUES IN THE INSTITUTIONAL THEORY

Comparison of classic theoretical work and the initial formulations of the institutional theory suggest minimum 3 issues merit much more attention in the contemporary institutional theory. These are: Integrating conceptions of interest-driven behavior (and hence, problems of power and conflict) with normatively-guided behavior, setting organizational institutionalism in wider historical and social contexts for developing understanding with more profound social change procedures, and taking an interpretive approach seriously. The mentioned issues clearly overlap. Incorporating conflicts, according to Weber and Marx, are inseparable from issues of power and interest. For both, understanding the emergence and functioning of institutions, the ability to assure that the interests of particular groups are served by given arrangements. For that, legitimization is seen as key to sustaining institutions. For both, analyses of patterns of power, domination, and conflict required in-depth social and historical understanding of their context. Weber argued that the dominance of bureaucracy as an institution in societies is characterized by rational-legal authority reflected in its substantial advantages over alternative forms of organization (Weber, 1947). He also clearly recognized flipside of its advantage/s, however, noting that an entrenched bureaucracy can serve any interests, and those, whose interests are served, increasingly become remote from the mass of the population. Weber's imagery of members of bureaucratic organizations as cogs in a machine acknowledges the fact that in certain situations, organizations/institutions might become sources of alienation, both in psychological as well as Marxian sense. Marx believed that individuals are separated from the products of their labor, which results in behaviors that run directly against their own material interests. Marx's term "false consciousness" describes the same sort of phenomenon. Although contemporary institutional theory would seem natural for examining such behavior, work in this tradition has surprising little attention. Friedland argued that forms of social science education have been theoretically retreating from the society, so it is possible that the organizational institutionalism too has been theoretically retreating from issues of interests, power, conflict, domination and exploitation. In part, this reflects both an unstated functionalist logic in an institutionalist approach (Kirkpatrick and Ackroyd, 2005). With few exceptions, little recognition of class or collective interests/power has been given to institutional analyses. Although DiMaggio (1988) dealt with the matters pertaining to interests and power, his analysis reflects need for connecting institutional arguments with the notion of individual agency (like Spencer's concerns) than for understanding how particular groups attempt to dominate others. Greenwood (1996) expressed a notion of particular occupational and functional groups having different material interests and vying for the power to impose their institutional arrangements on others. Lawrence et al (2001) proposed that domination,

power, and influence are all mechanisms of institutional change that are based on how power is used. However, in these approaches, the emphasis is on methods, using which, power is utilized to allow institutional change to occur. That is, it is primarily conceptualized as a factor or condition that allows change at either the field or organizational level. Despite the language that Lawrence et al (2001) used while expressing that their concern is not with the ability of particular groups to frame organizational structures / frameworks / arrangements through a process to further their interests. A bit more elaborate exploration is needed to describe the role of institutional forms, organizations and processes as frameworks and mechanisms in serving some interests rather than others and, potentially, bolstering authorities of some social and occupational groups. The disadvantaged groups simply accept or recognize and challenge existing institutions. Interestingly, Selznick (1949) tried to explain some of them in his work on Tennessee Valley Authority (TVA), but his work did not get the required attention. Marx emphasized ideologies in interests and the consequent way, in which, such ideologies control social relations. Thornton (1999) believed that institutional logics were social and historical phenomena of economic practice, beliefs, and rules, using which, people generate and increase their wealth and economic sustenance. So, there is inescapably material aspect to the institutional logics. However, logics/ are related to those interests, which aren't fully explored yet. There is, of course, a stream of sociological and management theory that takes institutional frameworks as embodiments of power, control and domination, namely, critical theory (Habermas, 1970, 1971, 1974; Alvesson and Willmott, 1992; Alvesson and Deetz, 1996). However, this stream of theorizing has had little or no impact on organizational institutionalism. More recent efforts to join institutional research partially addresses this issue, but the problem with the available literature is that it considers the ability of actors to rationally assess the impact of existing arrangements in their own interests but implicitly takes them for granted (Rao, 2004; Rojas, 2006). Hence, they often rest on a more Spenserian view of social action, and fail to effectively address the insights of recent phenomenologists' views on normative orders in constraining actions. Thus, overall, sociological forerunners point organizational institutionalists in quite different directions than they have been understood so far. The central problems needing solutions include the way, in which, institutional arrangements serve as instruments of domination by particular groups and particular sets of interests rather than others, and better specification of situations, in which, they can be challenged. An important Marxist conceptual extension called Weberian theory argues that institutions support interests of some people, or in other words, allow elites to remain in power (cf. Prichard and Willmott, 1997). As Greenwood (2002) argued that theorists should concentrate on institutional and organizational processes for power and control, something that should resonate strongly for organizational institutionalists because institutions are the durable, change-resistant social structures of any society (Scott, 2001: 49). As Giddens (1984) puts it, 'Institutions represent social and one must understand the link between social change and institutions. As noted, 'institution' according to contemporary organizational researchers generally revolves around narrow classic sociological theory. Explaining formal organizational structure, the earliest expositions of institutionalism associated this concept with

very specific structural elements among organizations, e.g., affirmative action offices, civil services, radio programming, and 'poison pill' policies etc. One result of this approach was the deflection of efforts to conceptualize formal structure for broadly defined dimensions, such as complexity, formalization, and centralization, efforts that dominated organizations from the 1950s through the 1970s. Indeed, the lack of success by sociologists in reaching agreed-upon conceptualizations and operationalizations of such broad dimensions is a failure. Another, and perhaps more consequential outcome, however, is neglecting broad patterns of social relations/change that were traditionally associated with analyses of institutions. There have been efforts to understand 'big institutions' but now the focus has shifted to (relatively) 'little institutions.' The redefinition of institution/institutionalization denotes specific structural elements, which may have been driven in part by empiricist concerns. The broad conception of institution in sociological theory was not easily operationalized-able or efforts to verify theoretical claims, as witnessed by the still-ongoing debates over how to define and measure 'class' (e.g., Erickson and Goldthorpe, 1992; Wright, 1997; Weeden and Grusky, 2005). The redefinition may also reflect the fact that many proponents of institutionalism work in business schools, a context that is apt to concentrate on explaining the behavior of organizations per se and discourage a broader focus on general societal issues (Stern and Barley, 1996). Indeed the 'Handbook of Organizational Institutionalism' is testament to this. However, because of the narrowness of its conception of institutions, institutional theory offered little in return to the rich heritage of sociological theorizing, from which, it draws (cf. Hinings, 1988; Hinings and Greenwood, 2002). Most of the theorists that Scott labels as forerunners were concerned with major institutions, how society was constituted through its institutional framework, and how that framework was changing. Their analyses dealt with creation of transition in dominant institutions, and understanding both the historical facts about such changes for both society and individuals. These issues particularly resonated Marx, Durkheim and Weber. Conceptually, a strong distinguishing feature of contributions by Weber and Marx, especially, was an emphasis on understanding institutions and institutional change within broad historical contexts. They recognized that they lived in era of global societal change/upheaval, and struggled to understand them. For them, all analysis was dependent on socioeconomic milieu. While all three were highly analytical (e.g., the use of ideal types, the labor-productivity theory), and such constructs were only possible because of both sweeping and detailed scholarship embedded in the nature of institutions. It is not that contemporary institutionalists are oblivious to the historical settings that frame the diffusion of specific practices (see Tolbert and Zucker, 1983), but that concern with explaining organizational behavior, per se, has often led to overarching shifts in the society - the increased formalism in organizations (see Drori, Jang, and Meyer, 2006). The global governance and the institutions promoting it, such as the International Monetary Fund, the World Bank, and International Labor Organization are not subject to the authority of any given state, so, the increasing levels of stratification in many societies is the result of changing rich heritage of sociological theorizing (Hinings, 1988; Hinings and Greenwood, 2002).

2.8 OTHER ISSUES

For Marx and Weber, institutional theory is linked with power and interest. For both, understanding the emergence, functioning, and institutional change entailed understanding the ability of particular social stakeholders to ensure that their interests were served by given arrangements. Weber wrote that the dominance of bureaucracy as an institution in societies characterized by rational-legal authority reflects its substantial advantages over alternative forms of organization (1947: 337) Proposals for research submitted by Zucker show that he conducted empirical analysis of organizations to analyze the validity of the institutional theory. He found that it was essential to develop more direct measures and better documentation of claims pertaining to institutionalized structures. For example, analyses examining contemporary structures could use survey research, in which, respondents were asked directly about the necessity for efficient organizational functioning or they were asked to reply to questionnaires that asked about attributes correlated with degree of institutionalization. It was found that determinants of change in institutionalized structures represent an important/promising area for further research. Extant studies have already suggested potential determinants of how a specific structure can be taken for granted, and thus how it is institutionalized. Further work by Mezas (1990) and Scarseltetta (1994) shows that social statuses of forces opposing a specific structure may work oppositely and when the power of the opposed increases, extent of institutionalization decreases. There are other factors that, intuitively, we would also expect to have an impact on institutionalization, including the scope or range of organizations for which, structures theorized to be relevant (the bigger the organizations are, the more difficult it becomes to prove structure's effectiveness, and hence the institutionalization becomes lesser). "Champions" or size of champion groups (the higher their number is, the less likely it is for entropic processes to become operative, and thus more will be institutionalization); have structures linked to costly changes in adopting organizations. Higher investment costs should also mitigate entropic tendencies, thus resulting in more institutionalization and adoption of desired outcomes (creating strong incentives to maintain the structure, resulting in greater institutionalization). Studying the determinants of institutionalizational process is likely to require comparative work on the development of different structures. This kind of research can create a series of puzzles about institutionalization processes that are suggested by various empirical observations. A final major implication that we would draw from our analysis is both organizational resource-dependence and efficiency-oriented theories, which make sense for organizational scholars. Unfortunately, different theories often lead towards predicted organizational outcomes - although the mechanisms that are postulated to produce the outcomes are quite different. Hence, it is often extremely hard to know about factors highlighted by a theoretical perspective, and whether they are actually at work in determining organizational actions or not. Because of this, empirical 'tests' may be useful for analyzing the implications of the institutional theory within a specific industry. No major actors attempt to compel organizations to adopt a given structure, either through law or through withholding critical resources. Likewise, focus should be towards empirical applications of the institutional theory and analyses where the material benefits are not

readily calculable (which is the case for many administrative innovations, and some technical innovations) - i.e. where efficiency-oriented contingency theories are obviously relevant. Again, assessing how social institutions are used to increase material benefits can be useful, for example, when scientific collaborators are selected from the same organization, effectively using the organizational boundaries as information envelopes to protect new discoveries from early exploitation by other decision makers, which is called as bounded rationality and that is a staple component of the organizational research. How rationality is bounded and under what conditions it is bounded are questions that have rarely been addressed. Institutional theory offers a framework for addressing these questions, but its utility in this respect requires structural clarification about institutionalization. Institutionalization allows us to specify the impact of more social aspects of decision-making, such as the effects of social position on choices made. A specific choice is possible only if the social aspects are direct parts of the analyses. Addressing this general issue of conditions of applicability requires solving some problems: How and when choices or alternative lines of action become socially defined, who acts to cause change and to diffuse that change to multiple organizations, and why/what are the potential benefits of creating similar structures, or converging towards similar structures leading to organizational isomorphism? In order to make the institutional theory grow as a coherent paradigm and to make lasting contributions to organizational analyses, such questions about institutionalization processes require conceptual/empirical answers. In this analysis, we have outlined some initial solutions to the mentioned problems, answers whose extension and modification must be awaited until finding more theoretical/solutions (Tolbert and Zucker, 1996).

3. CONCLUSION

As some theoretical perspectives and approaches are illustrated above to explain the institutional theory, its issues and concerns raised by the researchers and authors' while analyzing the institutional theory. From researchers' perspective, measures that are more direct should be developed. Further factors that we also expect to have an impact on institutionalization include the scope or range of organizations, for which, some structures are considered to be relevant in the broader perspective of organizations, which makes it more difficult to present proof of structure's effectiveness. Zucker suggested that identifying determinants of changes in institutional structures represent an important area for theoretical/empirical work. Extant studies have already suggested potential determinants of how specific structures are taken for granted and how strong incentives for maintaining the structure increase it instead of decreasing it. No major actors attempt to compel organizations to adopt a given structure, either through law or through withholding critical resources. For organizational scholars, addressing the general issue of applicability requires consideration of how and when choices of action become socially defined; who acts to cause change and how to diffuse that change to other organizations. It must be taken into account what are expected benefits the researchers often look for. Sometimes, authors feel that changes taken place in the organizations are outcomes of subsequent developments and so, inertia within organizations prevents the internal change or at least makes it extremely difficult. We believe that following up on these

themes and issues in researchers' agendas would improve and develop organizational theories, and they will make significant contributions to the available literature and our understanding on institutional/organizational development.

4. REFERENCES

- [1]. Barley, S. R. (1986). Technology as an occasion for structuring: Evidence from observations of CT scanners and the social order of radiology departments. *Administrative science quarterly*, 78-108.
- [2]. Cooper, D. J., Ezzamel, M., & Willmott, H. (2008). Examining "institutionalization": A critical theoretic perspective. *The Sage handbook of organizational institutionalism*, 673-701.
- [3]. Currie, W. L., & Swanson, E. B. (2009). Special issue on institutional theory in information systems research: contextualizing the IT artefact. *Journal of Information Technology*, 24(4), 283.
- [4]. DiMaggio, P. J., & Powell, W. W. (1991). The new institutionalism in organisational analysis. *The new institutionalism in organisational analysis*.
- [5]. Hardy, C., & Nor, W. R. (1977). *Handbook of Organization Studies* (pp. 175-190).
- [6]. Hinings, C. R., Tolbert, P. S., Greenwood, R., & Oliver, C. (2008). Organizational institutionalism and sociology: A reflection. *Handbook of organizational institutionalism*, 473-490.
- [7]. Jepperson, R. L., & Meyer, J. W. (1991). The Public Order and the Construction of Formal Organization, in *The New Institutionalism in Organizational Analysis*, edited by W. Powell and PJ Di Maggio.
- [8]. Lawrence, T. B. (1999). Institutional strategy. *Journal of management*, 25(2), 161-187.
- [9]. Scott, W. R. (2004). Encyclopedia of social theory. *Institutional theory*. In, 408-14.
- [10]. Scott, W. R., & Meyer, J. W. (1994). *Institutional environments and organizations: Structural complexity and individualism*. Sage.
- [11]. Tolbert, P. S., & Zucker, L. G. (1999). The institutionalization of institutional theory. *Studying Organization. Theory & Method*. London, Thousand Oaks, New Delhi, 169-184.