1 Introduction

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Institutional theory presents a paradox. Institutional analysis is as old as Emile Durkheim's exhortation to study "social facts as things," yet sufficiently novel to be preceded by *new* in much of the contemporary literature. Institutionalism purportedly represents a distinctive approach to the study of social, economic, and political phenomena; yet it is often easier to gain agreement about what it is *not* than about what it *is*. There are several reasons for this ambiguity: scholars who have written about institutions have often been rather casual about defining them; *institutionalism* has disparate meanings in different disciplines; and, even within organization theory, "institutionalists" vary in their relative emphasis on micro and macro features, in their weightings of cognitive and normative aspects of institutions, and in the importance they attribute to interests and relational networks in the creation and diffusion of institutions.

Although there are as many "new institutionalisms" as there are social science disciplines, this book is about just one of them, the one that has made its mark on organization theory, especially that branch most closely associated with sociology. In presenting the papers assembled here, we hope to accomplish three things. First, by publishing together for the first time (in part 1) four often-cited foundation works, we provide a convenient opening for readers seeking an introduction to this literature.[1] Second, the papers that follow (especially those in part 2) advance institutionalism's theoretical cutting edge by clarifying ambiguities in the paradigm and defining the processes through which institutions shape organizational structure and action. These papers consolidate the work of the last decade and suggest several agendas for further investigation.

Third, the empirical contributions in part 3 illustrate the explanatory potential of institutional theory in an area in which it has been relatively silent: the analysis of organizational change. Two of these chapters (DiMaggio; Galaskiewicz) analyze the emergence of organizational fields; two (Fligstein; Brint and Karabel) explain significant transformations within existing fields; and the last two chapters (Orrù, Biggart, and Hamilton; Singh, Tucker, and Meinhard) explore the relationship between institutional processes and interorganizational competition.

Together, then, the contributions to this volume represent the new institutionalism's origins, its present, and its future. They set out fundamental ideas, define and clarify distinctive analytic frameworks, and explores themes of change, conflict, and competition that bring institutional analysis into closer contact with the concerns of organization studies and contemporary social theory.

This introduction provides a context for the papers that follow. We present neither an overview nor a critique of the new institutionalism in organization theory, nor do we offer a research agenda. The contributions to this book do those jobs very ably. What we shall do, in the following sections, is locate the "neoinstitutional" organization theory presented here, first, among the several contemporary institutionalisms, especially those of economics and political science, and, second, within the disciplines of sociology and organization studies, both with reference to the "old" institutionalism and to independent but convergent developments in sociological theory. We close this introduction with a discussion of several key open questions in institutional analysis and show how chapters in this volume speak to these issues.

The "New Institutionalism" in Disciplinary Context

The study of institutions is experiencing a renaissance throughout the social sciences.[2] In some quarters, this development is a reaction against the behavioral revolution of recent decades, which interpreted collective political and economic behavior as the aggregate consequence of individual choice. Behavioralists viewed institutions as epiphenomenal, merely the sum of individual-level properties. But their neglect of social context and the durability of social institutions came at a high cost, especially in a world in which "social, political, and economic institutions have become larger, considerably more complex and resourceful, and prima facie more important to collective life" (March and Olsen 1984:734).

The resurgence of interest in institutions also harkens back to an older tradition of political economy, associated with Veblen and Commons, that focused on the mechanisms through which social and economic action occurred; and to the efforts of functionalists like Parsons and Selznick to grasp the enduring interconnections between the polity, the economy, and the society. These older lineages fell into disfavor not because they asked the wrong questions, but because they provided answers that were either largely descriptive and historically specific or so abstract as to lack explanatory punch. The current effort to conjoin the research foci of these traditions with contemporary developments in theory and method is not merely a return to scholarly roots, but an attempt to provide fresh answers to old questions about how social choices are shaped, mediated, and channeled by institutional arrangements.

A different strand of institutional thinking comes from such fields as macrosociology, social history, and cultural studies, in which behavioralism never took hold. In these areas, institutions have always been regarded as the basic building blocks of social and political life. New insights from anthropology, history, and continental social theory challenge deterministic varieties of both functionalism and individualism, shedding light on how meaning is socially constructed and how symbolic action transforms notions of agency. This line of thinking suggests that individual preferences and such basic categories of thought as the self, social action, the state, and citizenship are shaped by institutional forces.

Within organizational studies, institutional theory has responded to empirical anomalies, to the fact that, as March and Olsen (1984:747) put it, "what we observe in the world is inconsistent with the ways in which contemporary theories ask us to talk." Studies of organizational and political change routinely point to findings that are hard to square with either rational-actor or functionalist accounts (see DiMaggio and Powell, ch. 3). Administrators and politicians champion programs that are established but not implemented; managers gather information assiduously, but fail to analyze it; experts are hired not for advice but to signal legitimacy. Such pervasive findings of case-based research provoke efforts to replace rational theories of technical contingency or strategic choice with alternative models that are more consistent with the organizational reality that researchers have observed.

Approaches to institutions rooted in such different soils cannot be expected to converge on a single set of assumptions and goals. There are, in fact, many new institutionalisms—in economics, organization theory, political science and public choice, history, and sociology—united by little but a common skepticism toward atomistic accounts of social processes and a common conviction that institutional arrangements and social processes matter. In this brief review, we focus only on a few of the major tendencies and contrast them with the "new institutionalism" in organizational analysis.[3]

THE NEW INSTITUTIONAL ECONOMICS

The analytic tradition initiated by Coase (1937, 1960) and reinvigorated by Williamson (1975, 1985) has been taken up by economic historians (North 1981), students of law and economics (Posner 1981), game theorists (Schotter 1981), and organizational economists (Alchian and Demsetz 1972; Nelson and Winter 1982; Grossman and Hart 1987).[4]

The new institutional economics adds a healthy dose of realism to the standard assumptions of microeconomic theory. Individuals attempt to maximize their behavior over stable and consistent preference orderings, but they do so, institutional economists argue, in the face of cognitive limits, incomplete information, and difficulties in monitoring and enforcing agreements. Institutions arise and persist when they confer benefits greater than the transaction cots (that

is, the costs of negotiation, execution, and enforcement) incurred in creating and sustaining them.

The new institutional economics takes the transaction as the primary unit of analysis. The parties to an exchange wish to economize on transaction costs in a world in which information is costly, some people behave opportunistically, and rationality is bounded. The challenge, then, is to understand how such attributes of transactions as asset specificity, uncertainty, and frequency give rise to specific kinds of economic institutions. According to organizational economists, institutions reduce uncertainty by providing dependable and efficient frameworks for economic exchange (North 1988).

Despite these shared assumptions there are points of divergence even within the new institutional economics. In particular, there are differences in treatments of transaction costs, contention over the optimality of institutions, and differential explanatory weight given to the state and ideology. Williamson (1985) sees opportunism (self-interest-seeking with guile) as a key source of transaction costs. By contrast, Matthews (1986) emphasizes the purely cognitive costs of organizing and monitoring transactions, even when participants are honest. North (1984) also defines transaction costs more broadly, viewing them as the general overhead costs of maintaining a system of property rights, under conditions of growing specialization and a complex division of labor.

Another unresolved issue concerns the extent to which institutions represent optimal responses to social needs. Throughout much of this literature there is, to use Kuran's (1988:144) term, an air of "optimistic functionalism, a mode of explanation whereby outcomes are attributed to their beneficial consequences." Williamson (1985), for example, implies that considerable foresight is exercised in the development of institutional arrangements and that competition eliminates institutions that have become inefficient. By contrast, Akerlof (1976) demonstrates that institutions may persist even when they serve no one's interests. For example, although everyone may be worse off under a caste system, rational individuals may comply with its norms because they do not want to risk ostracism. In other words, once institutions are established, they may persist even though they are collectively suboptimal (Zucker 1986).

Nelson and Winter (1982), who take an evolutionary approach, view institutions as end products of random variation, selection, and retention, rather than individual foresight. North (1988) argues that institutions are shaped by historical factors that limit the range of options open to decision makers; thus they produce different results than those implied by a theory of unlimited choices and strategic responses. Matthews (1986) argues that inertia plays an important role in institutional persistence. Even when institutions do not conform to the demands of a given environment, they may nevertheless endure because, as North suggests, the prospective gains from altering them are outweighed by the costs of making the changes. Thus, for North and others, the transaction costs of institutional change provide institutions with something of a cushion.

North is one of the few economists to attend to the importance of ideology and the state in maintaining institutions. As exchanges among individuals grow more specialized and complex, contracts require third-party enforcement, a demand that is met by political institutions, which play a positive role in specifying and enforcing property rights. But states vary greatly in the ways they define property rights, and citizens may view political institutions as more or less legitimate, depending on their ideologies. When ideological consensus is high, opportunistic behavior is curbed. When it is low, contracting costs are higher and more energy is expended on efforts at institutional change. Thus ideological consensus represents an efficient substitute for formal rules.

THE POSITIVE THEORY OF INSTITUTIONS

A new institutionalism has emerged in the field of politics in reaction to earlier conceptions of political behavior that were atomistic not only in their view of action as the product of goal-oriented, rational individuals (a position many "positive theorists" still share) but in an abstract, asocial conception of the contexts in which these goals are pursued. One strand of political science institutionalism (positive theory) focuses on domestic political institutions; another (regime theory) deals with international relations.

The positive theory of institutions is concerned with political decision making, especially the ways in which political structures (or institutions) shape political outcomes (Shepsle 1986). Atomistic versions of social-choice theory, to which this work responds, predicted unstable and paradoxical decisions under majority voting rules. Yet political life is not in constant flux; indeed, the key feature of U.S. politics is its pervasive stability (Moe 1987). What, then, accounts for this stability? The answer given by institutionalists in political science is that much of the instability inherent in pure majority voting systems is eliminated by legislative rules.

This approach complements the new institutional economics in its effort to link actor interests to political outcomes. The institutional arrangements that structure U.S. politics are viewed as responses to collective action problems, which arise precisely because the transaction costs of political exchange are high. Shepsle describes political institutions as "ex ante agreements about a structure of cooperation" that "economize on transaction costs, reduce opportunism and other forms of agency 'slippage,' and thereby enhance the prospects of gains through cooperation" (1986:74). Political institutions thus create stability in political life.

Most of the positive theorists' research deals with the relatively fixed structural features of the U.S. Congress—the agenda powers of congressional committees, and the rules that define legislative procedures and committee jurisdictions (Riker 1980; Shepsle and Weingast 1981, 1987; Weingast and Marshall 1988). The public-choice models that inform this work give special prominence to the mechanics of legislating, for example, the distribution of

agenda-setting powers, the sequence in which proposals must be made, and the allocation of veto rights (Shepsle and Weingast 1987; Ostrom 1986; Shepsle 1986, 1988). Modeling in this tradition often employs principal-agent imagery to examine the efforts of one political actor (e.g., a congressional subcommittee) to control another (e.g., a federal agency).

The general picture provided by this insightful line of work is one in which congressional policy is highly dependent on the agenda-setting powers inherent in legislative rules. The explanation of the powerful gatekeeping role played by legislative committees "resides in the rules governing the sequence of proposing, amending, and especially of vetoing the legislative process" (Shepsle and Weingast 1987:86). The structure of political rules is fairly resilient to the ebbs and flows of the agendas of politicians, and the rules can easily live on when the original support for them wanes. As a result, legislative rules are seen as robust, resistant in the short run to political pressures, and in the long run, systematically constraining the options decision makers are free to pursue.

Political scientist Terry Moe has chided rational-choice institutionalism for emphasizing the formal mechanisms of legislative control to the exclusion of indirect, unintentional, and systemic methods (Moe 1987:291). Missing from the positive theory's models of rules and procedures are the dynamic, informal features of institutions. In an insightful analytic history of the National Labor Relations Board, Moe demonstrates how the agency transformed its own political environment, and highlights the vital mutual dependence that developed between the NLRB and its constituents. He also emphasizes the role of informal norms and standards of professionalism in shaping the board's relationship with Congress. Nevertheless, Moe concludes that, despite its flaws, the new institutionalism in politics and economics promises to provide a general rational-choice theory of social institutions. We are somewhat less optimistic, in part because Moe's excellent work demonstrates that this approach focuses on only the more formal and fixed aspects of the political process. While some concern is evinced for how institutions emerge, most of the analyses treat rules and procedures as exogenous determinants of political behavior.

INTERNATIONAL REGIMES

The second strand of political science's new institutionalism has emerged in the field of international relations. Here scholars have rejected a once popular anarchic view of international relations and have explored the conditions under which international cooperation occurs, and examined the institutions (regimes) that promote cooperation (Krasner 1983; Keohane 1984, 1988; Young 1986). International regimes are multilateral agreements, at once resulting from and facilitating cooperative behavior, by means of which states regulate their relations with one another within a particular issue area. Some of these international institutions (e.g., the United Nations or the World Bank) are formal organizations; others, such as the international regime for money and trade (the GATT or General Agreement on Trade and Tariffs) are complex sets of rules,

standards, and agencies. Regimes are institutions in that they build upon, homogenize, and reproduce standard expectations and, in so doing, stabilize the international order.

The initial work on regimes borrowed freely from the language and conceptual artillery of game theory and institutional economics and took scarcity and competition to be basic features of the international system. Nation-states were regarded as self-interested utility maximizers that nevertheless experienced powerful incentives to enter into constraining agreements in order to maximize their long-term welfare (Young 1986). If no benefits were realized from international agreements or if cooperation could be sustained without cost, international regimes would not arise. The logic is similar to that of work on domestic politics: regimes appeared whenever the costs of communication, monitoring, and enforcement were low compared to the benefits derived. Thus, nations, in an effort to realize joint gains, agree to bind themselves to regimes that subsequently limit their freedom of action.

More recently, international relations scholars have come to question the value of the rational-actor approach to international institutions. As Keohane (1988:388) points out, it "leaves open the issue of what kinds of institutions will develop, to whose benefit, and how effective they will be." Clearly many international institutions are not optimally efficient and, were they to be reconstructed de novo, would undoubtedly look quite different. Imperfect regimes survive nonetheless because sunk costs, vested interests, and the difficulty of conceiving of alternatives make it sensible to maintain them.

Dissatisfaction with the rational-actor approach has led some scholars to develop a more sociological line of inquiry, which recognizes that "institutions do not merely reflect the preferences and power of the units constituting them; the institutions themselves shape those preferences and that power" (Keohane 1988:382; see also Kratochwil and Ruggie 1986; Krasner 1988). In this more process-oriented view, institutions constitute actors as well as constrain them, and interests emerge within particular normative and historical contexts. Understanding the way policymakers think about international rules and standards, and the political discourses they employ, is critical to any analysis of international politics.

Both the rational-actor and more sociological approaches to international institutions are better developed theoretically than empirically: there is little research on why regimes develop in some issue areas rather than others; nor do we know what factors explain regime persistence.[5] What is apparent is that international regimes are durable institutions that shape and constrain the relations among states, and that understanding how such institutions develop, persist, and expire is an important task.

POINTS OF DIVERGENCE

The disparities among the various approaches are nicely illustrated by their varying definitions of an institution. Political scientists in the rational-

choice/game-theoretic tradition view institutions as temporarily "congealed tastes" (Riker 1980), frameworks "of rules, procedures, and arrangements" (Shepsle 1986), or "prescriptions about which actions are required, prohibited, or permitted" (Ostrom 1986). The new institutional economics, particularly the branch located in economic history, contends that "institutions are regularities in repetitive interactions, . . . customs and rules that provide a set of incentives and disincentives for individuals" (North 1986:231). The economics of organization conceives of institutions as governance structures, social arrangements geared to minimize transaction costs (Williamson 1985).

In the international relations literature, regimes are defined as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations" (Krasner 1983:2). What distinguishes this line of research from rational-choice approaches is its specifically normative element—standards of behavior are defined in terms of customs and obligations, a focus that draws this work much closer to the sociological tradition. Indeed, Young's (1986:107) definition of an institution—"recognized practices consisting of easily identifiable roles, coupled with collections of rules or conventions governing relations among the occupants of these roles"—is consonant with much recent work in sociology.

As we move from the new institutionalism in economics and public choice to the new institutionalism in regime theory and organization theory, the term *institution* takes on a different meaning. In the former approaches, institutions are the products of human design, the outcomes of purposive actions by instrumentally oriented individuals. But in the latter, while institutions are certainly the result of human activity, they are not necessarily the products of conscious design.

Consider the institution of sovereign statehood, a more than three-hundred-year-old notion that developed slowly over the course of centuries. The principle of sovereignty is well understood—it implies reciprocity among nation-states, it creates well-defined roles and statuses, and it implies membership in the international system. But the institution of the modern sovereign state is not traceable to the conscious efforts of specific social groups. Nor is the complexity of the modern state easily decomposable into smaller units of analysis; nor can it be adequately described by simple aggregation techniques. Indeed, such institutions are relatively constant in the face of considerable turnover among individual members and officeholders, and are often resilient to the idiosyncratic demands of those who wish to influence them.

The new institutionalism in organization theory and sociology comprises a rejection of rational-actor models, an interest in institutions as independent variables, a turn toward cognitive and cultural explanations, and an interest in properties of supraindividual units of analysis that cannot be reduced to aggregations or direct consequences of individuals' attributes or motives. In the

sociological tradition, institutionalization is both a "phenomenological process by which certain social relationships and actions come to be taken for granted" and a state of affairs in which shared cognitions define "what has meaning and what actions are possible" (Zucker 1983:2). Whereas economists and public-choice theorists often treat *institution* and *convention* as synonyms, sociologists and organization theorists restrict the former term to those conventions that, far from being perceived as mere conveniences, "take on a rulelike status in social thought and action" (Meyer and Rowan, ch. 2; Jepperson, ch. 6; Douglas 1986:46–48).

In this sense, then, the sociological approach to institutions is more restrictive than that of economics and public choice: only certain kinds of conventions qualify. On the other hand, with respect to the sorts of things that may be institutionalized, sociology is much more encompassing. Whereas most economists and political scientists focus exclusively on economic or political rules of the game, sociologists find institutions everywhere, from handshakes to marriages to strategic-planning departments. Moreover, sociologists view behaviors as potentially institutionalizable over a wide territorial range, from understandings within a single family to myths of rationality and progress in the world system (Meyer and Rowan, ch. 2).

The new institutionalism in organization theory tends to focus on a broad but finite slice of sociology's institutional cornucopia: organizational structures and processes that are industrywide, national or international scope. Indeed, the new institutionalism in organizational analysis takes as a starting point the striking homogeneity of practices and arrangements found in the labor market, in schools, states, and corporations (DiMaggio and Powell, ch. 3; Meyer and Rowan, ch. 2). The constant and repetitive quality of much organized life is explicable not simply by reference to individual, maximizing actors but rather by a view that locates the persistence of practices in both their taken-for-granted quality and their reproduction in structures that are to some extent self-sustaining (see Zucker, ch. 4).

A second dividing line among the various "institutionalisms" follows from these definitional differences. Do institutions reflect preferences of individuals or corporate actors, or do they represent collective outcomes that are not the simple sum of individual interests? Most institutional economists and public-choice theorists assume that actors construct institutions that achieve the outcomes they desire, rarely asking where preferences come from or considering feedback mechanisms between interests and institutions. To be sure, actors' options are limited by sunk costs in existing arrangements, and their strategies may even yield unintended effects. But the thrust of these approaches is to view institutional arrangements as adaptive solutions to problems of opportunism, imperfect or asymmetric information, and costly monitoring.

The more sociologically oriented branch of institutionalism rejects this orientation for several reasons. First, individuals do not choose freely among

institutions, customs, social norms, or legal procedures. One cannot decide to get a divorce in a new manner, or play chess by different rules, or opt out of paying taxes. Organization theorists prefer models not of choice but of taken-for-granted expectations, assuming that "actors associate certain actions with certain situations by rules of appropriateness" (March and Olsen 1984:741) absorbed through socialization, education, on-the-job learning, or acquiescence to convention. Individuals face choices all the time, but in doing so they seek guidance from the experiences of others in comparable situations and by reference to standards of obligation.

Moreover, sociological institutionalists question whether individual choices and preferences can be properly understood outside of the cultural and historical frameworks in which they are embedded. People in different societies or institutional domains, at different times, hold varying assumptions about the interests that motivate legitimate action, the auspices under which persons or collectives may act, and the forms of action that are appropriate. The very notion of rational choice reflects modern secular rituals and myths that constitute and constrain legitimate action (see Jepperson and Meyer, ch. 9; Friedland and Alford, ch. 10).

A third point of contention between the economic/public-choice and sociological variants of institutional theory concerns the autonomy, plasticity, and efficiency of institutions. Do institutions adapt to individual interests and respond to exogenous change quickly, or do they evolve glacially and in ways that are not typically anticipated?

Some institutionalists in political science and economics recognize that institutions are not highly malleable. Institutional arrangements constrain individual behavior by rendering some choices unviable, precluding particular courses of action, and restraining certain patterns of resource allocation. For example, Shepsle (1986, 1989) has argued that such political institutions as Congress's committee structure and its seniority system must be obdurate if politicians are to make credible commitments. And economists Richard Nelson and Sidney Winter (1982) emphasize the role of rules, norms, and culture in organizational change and explicitly disavow the view that market competition ensures the selection of efficient organizational structures and processes. But such work, although important, is something of an exception; most public-choice theorists and economists who study institutions view them as provisional, temporary resting places on the way to an efficient equilibrium solution.

Organizational sociologists find adaptive storytelling less persuasive. In their view, behaviors and structures that are institutionalized are ordinarily slower to change than those that are not.[6] (Indeed, given the distinction between convention and institution noted above, this is almost a matter of definition.) Sociologists concur with rational-choice scholars that technical interdependence and physical sunk costs are partly responsible for institutional inertia. But these are not the only, or the most important, factors. Institu-

tionalized arrangements are reproduced because individuals often cannot even conceive of appropriate alternatives (or because they regard as unrealistic the alternatives they can imagine).[7] Institutions do not just constrain options: they establish the very criteria by which people discover their preferences. In other words, some of the most important sunk costs are cognitive.

When organizational change does occur it is likely to be episodic and dramatic, responding to institutional change at the macrolevel, rather than incremental and smooth. Fundamental change occurs under conditions in which the social arrangements that have buttressed institutional regimes suddenly appear problematic (see Powell, ch. 8). Whereas economists and political scientists offer functional explanations of the ways in which institutions represent efficient solutions to problems of governance, sociologists reject functional explanations and focus instead on the ways in which institutions complicate and constitute the paths by which solutions are sought.

The New Institutionalism and the Sociological Tradition

The new institutionalism in organizational analysis has a distinctly sociological flavor. This perspective emphasizes the ways in which action is structured and order made possible by shared systems of rules that both constrain the inclination and capacity of actors to optimize as well as privilege some groups whose interests are secured by prevailing rewards and sanctions. Yet neoinstitutionalism in organizational analysis is not simply the old sociology in a relabeled bottle; it diverges in systematic ways from earlier sociological approaches to organizations and institutions. To explicate these differences, we begin this section with an account of the relationship between neoinstitutionalism and the old institutionalism in organization theory. This discussion leads to a consideration of affinities between the new institutionalism and broader currents in Anglo-American and continental social theory, particularly to developments in the theory of action.

THE NEW INSTITUTIONALISM AND THE OLD

If, in retrospect, one could assign a birth date to the new institutionalism in organizational studies, it would have to be 1977, the year in which John Meyer published two seminal papers, "The Effects of Education as an Institution" and "Institutionalized Organizations: Formal Structure as Myth and Ceremony" (with Brian Rowan, ch. 2), which set out many of the central components of neoinstitutional thought. To be sure, some of these ideas were visible in Meyer's ongoing research on the world system (Meyer and Hannan 1979); some appear in his brilliant paper on school "charter effects" in a 1970 edited collection; and Meyer's preoccupation with macro influences on local phe-

nomena is evident in his early work on contextual effects in organizational research (1968). The 1977 papers, and the fruitful collaboration between Meyer and W. Richard Scott that followed (1983b), clarified and developed institutional principles in the context of formal organizations. By 1985, when Lynne Zucker convened a small conference on the subject at UCLA (Zucker 1987), the number of scholars intrigued by the effects of culture, ritual, ceremony, and higher-level structures on organizations had reached a sufficient mass for neoinstitutional theory to be named and reified.

Neoinstitutionalism traces its roots to the "old institutionalism" of Philip Selznick and his associates, yet diverges from that tradition substantially (see Selznick 1949, 1957; and, for an appreciative but critical overview, ch. 5 of Perrow 1986). Both the old and new approaches share a skepticism toward rational-actor models of organization, and each views institutionalization as a state-dependent process that makes organizations less instrumentally rational by limiting the options they can pursue.[8] Both emphasize the relationship between organizations and their environments, and both promise to reveal aspects of reality that are inconsistent with organizations' formal accounts. Each approach stresses the role of culture in shaping organizational reality.

Given the decidedly rational and materialist cast of most alternative approaches to organizations, these similarities evince much continuity between the old institutionalism and the new. Yet the latter departs from the former in significant ways (summarized in table 1.1). In describing these differences, we emphasize core features; of course, individual exceptions can be found.[9]

The old institutionalism was straightforwardly political in its analysis of group conflict and organizational strategy. The leadership of the Tennessee Valley Authority, for example, co-opted external constituencies intentionally, trading off its creators' more populist agricultural designs to protect the rural electrification program (Selznick 1949). By contrast, the new institutionalism has usually downplayed conflicts of interest within and between organizations, or else noted how organizations respond to such conflicts by developing highly elaborate administrative structures (see Scott and Meyer, ch. 5). Although, as we note below, institutional and political approaches to organizational change are beginning to come into fruitful dialogue, the focus in the initial work was on aspects of institutions that tend to prevent actors from recognizing or acting upon their interests (DiMaggio 1988a).

It follows that although the old and new approaches agree that institutionalization constrains organizational rationality, they identify different sources of constraint, with the older emphasizing the vesting of interests within organizations as a result of political tradeoffs and alliances, and the new stressing the relationship between stability and legitimacy and the power of "common understandings that are seldom explicitly articulated" (Zucker 1983:5).

These differences are reflected in the treatment of organizational structure in

Table 1.1 The Old and the New Institutionalisms

	Old	New
Conflicts of interest	Central	Peripheral
Source of inertia	Vested interests	Legitimacy imperative
Structural emphasis	Informal structure	Symbolic role of formal structure
Organization embedded in	Local community	Field, sector, or society
Nature of embeddedness	Co-optation	Constitutive
Locus of institutionalization	Organization	Field or society
Organizational dynamics	Change	Persistence
Basis of critique of utilitarianism	Theory of interest aggregation	Theory of action
Evidence for critique of utilitarianism	Unanticipated consequences	Unreflective activity
Key forms of cognition	Values, norms, attitudes	Classifications, routines, scripts, schema
Social psychology	Socialization theory	Attribution theory
Cognitive basis of order	Commitment	Habit, practical action
Goals	Displaced	Ambiguous
Agenda	Policy relevance	Disciplinary

the two traditions. The old institutionalism highlighted the "shadowland of informal interaction" (Selznick 1949:260)—influence patterns, coalitions and cliques, particularistic elements in recruitment or promotion—both to illustrate how the informal structures deviated from and constrained aspects of formal structure and to demonstrate the subversion of the organization's intended, rational mission by parochial interests. The new institutionalism, by contrast, locates irrationality in the formal structure itself, attributing the diffusion of certain departments and operating procedures to interorganizational influences, conformity, and the persuasiveness of cultural accounts, rather than to the functions they are intended to perform (Meyer and Rowan, DiMaggio and Powell, this vol.).

Another fundamental difference between the two institutionalisms is in their conceptualization of the environment. Authors of older works (Selznick 1949; Gouldner 1954; Dalton 1959; Clark 1960a) describe organizations that are embedded in local communities, to which they are tied by the multiple loyalties of personnel and by interorganizational treaties ("co-optation") hammered out in face-to-face interaction. The new institutionalism focuses instead on nonlocal environments, either organizational sectors or fields roughly coterminous with the boundaries of industries, professions, or national societies (Scott and Meyer, ch. 5). Environments, in this view, are more subtle in their influence; rather than being co-opted by organizations, they penetrate the organization, creating the lenses through which actors view the world and the very categories of structure, action, and thought (see part 2).

Because institutionalization was a process in which constraining relations with local constituencies evolved over time, older institutionalists regarded organizations as both the units that were institutionalized and the key loci of the process. By contrast, neoinstitutionalists view institutionalization as occurring at the sectoral or societal levels, and consequently interorganizational in locus. Organizational forms, structural components, and rules, not specific organizations, are institutionalized. Thus whereas the old institutionalism viewed organizations as organic wholes, the new institutionalism treats them as loosely coupled arrays of standardized elements.

Other important differences follow from this: institutionalization, in the older view, established a unique organizational "character . . . crystallized through the preservation of custom and precedent" (Selznick 1949:182, 1957:38–55). Rooted in ego psychology, the notion of character implied a high degree of symbolic and functional consistency within each institution. Moreover, because the character-formation process operated at the organizational level, it could only increase interorganizational diversity. In the new view, institutionalization tends to reduce variety, operating across organizations to override diversity in local environments (DiMaggio and Powell, ch. 3; but see Zucker's postscript to ch. 4 and Scott, ch. 7). The organization's standardized components, however, are loosely coupled, often displaying minimal functional integration (Meyer and Rowan, ch. 2). Not only does neoinstitutionalism emphasize the homogeneity of organizations; it also tends to stress the stability of institutionalized components (Zucker, ch. 4). By contrast, for the old institutionalism, change was an endemic part of the organization's evolving adaptive relationship to its local environment (Selznick 1957:39).

Although both old and new institutionalisms reject a view of organizational behavior as merely the sum of individual actions, they do so on quite different grounds. For the old institutionalists, the problem is less with the assumption that individuals pursue material and, especially, ideal interests (defined, of course, more broadly than in utilitarian thought)—Selznick's bureaucrats and local influentials were canny, if not always successful, strategists—than with the notion that such individual striving leads to organizational rationality. Rather, organizations are "recalcitrant tools," and efforts to direct them yield "unanticipated consequences" beyond anyone's control. By comparison, the neoinstitutionalist rejection of intentionality is founded on an alternative theory of individual action, which stresses the unreflective, routine, taken-for-granted nature of most human behavior and views interests and actors as themselves constituted by institutions (see chapters by Jepperson and Zucker).

Underlying these differences is a considerable gulf between old and new in their conceptions of the cultural, or cognitive, bases of institutionalized behavior. For the old institutionalists, the salient cognitive forms were values, norms, and attitudes. Organizations became institutionalized when they were "infused with value," as ends in themselves (Selznick 1957:17). Participants' preferences were shaped by norms, reflected in evaluative judgments. Newcomers to

an institution underwent "socialization," which led to "internationalization" of organizational values, experienced as "commitment."

The new institutionalism departs markedly from this essentially moral frame of reference. "Institutionalization is fundamentally a cognitive process" (Zucker 1983:25). "Normative obligations . . . enter into social life primarily as facts" that actors must take into account (Meyer and Rowan, ch. 2, this vol.). Not norms and values but taken-for-granted scripts, rules, and classifications are the stuff of which institutions are made. Rather than concrete organizations eliciting affective commitment, institutions are macrolevel abstractions, "rationalized and impersonal prescriptions" (Meyer and Rowan, ch. 2), shared "typifications," independent of any particular entity to which moral allegiance might be owed. Neoinstitutionalists tend to reject socialization theory, with its affectively "hot" imagery of identification and internalization. They prefer cooler implicit psychologies: cognitive models in which schemas and scripts lead decision makers to resist new evidence (Abelson 1976; Cantor and Mischel 1977; Bower, Black, and Turner 1979; Taylor and Crocker 1980; Kiesler and Sproul 1982); learning theories that emphasize how individuals organize information with the assistance of social categories (Rosch et al. 1976; Rosch 1978; Fiske 1982; Fiske and Pavelchak 1986; Kulik 1989); and attribution theory, where actors infer motives post hoc from menus of legitimate accounts (Bem 1970; Kelly 1971).

INSTITUTIONALISM AND THE THEORY OF ACTION

The differences between the old and new institutionalisms—in analytic focus, approach to the environment, views of conflict and change, and images of individual action—are considerable. They are all the more striking because they are so seldom noted: far from offering a sustained critique of the old institutionalism, neoinstitutionalists, when they refer to their predecessors, tend to acknowledge continuity and elide points of divergence (but see Zucker 1983:6; Scott 1987a:493–95).

What, then, is the basis of this profound change? To some extent, this shift in theoretical focus reflects historical changes that have transferred formal authority and organizing capacity from local elites to more "macro" levels (see Scott and Meyer, ch. 5). But this is only part of the story. Equally important is a dramatic transformation in the way in which social scientists have come to think about human motivation and behavior. The last two decades have witnessed a cognitive turn in social theory, a sea change comparable to the rejection of utilitarianism by turn-of-the-century theorists (Parsons 1937). The current developments represent a shift from Parsonsian action theory, rooted in Freudian ego psychology, to a theory of practical action based in ethnomethodology and in psychology's "cognitive revolution."[10] Although organizational analysts have often been in the vanguard in applying this new theory of action to substantive problems, they have rarely acknowledged the change.[11]

There has been little effort to make neoinstitutionalism's microfoundations explicit (but see Zucker 1987, ch. 2). Most institutionalists prefer to focus on the structure of environments, macro- to microlevel effects, and the analytic autonomy of macrostructures. Yet it is important, we believe, to develop a social psychological underpinning in order to highlight both gross differences between institutional and rational-actor models, and more subtle departures from established traditions in sociology and from such approaches to organizational analysis as resource dependence and strategic contingency theories.

We agree that the macro side of neoinstitutionalism, which is set out in detail by the contributions in parts 1 and 2, is central. Yet any macrosociology rests on a microsociology, however tacit; much of the distinctiveness of neoinstitutional work follows from its implicit images (which constitute the rudiments, at least, of a "theory of action" in Parsons' sense) of actors' motives, orientations toward action, and the contexts in which they act. It follows from this that to understand neoinstitutionalism, it is necessary to bring these assumptions to light.[12]

The work of Selznick and his colleagues bears a strong affinity to Parsonsian theory—not Parsons' work on organizations (1956) but the middle Parsons of the "general theory of action" (1951; Parsons and Shils 1951).[13] That theory was influenced profoundly by Parsons' reading of Freud, whom he viewed as converging with Durkheim "in the understanding of the internalization of cultural norms and social objects as part of the personality" (1937:11).

It is from Freudian object-relations theory that Parsons derived his emphasis on internalization, commitment, and the infusion of objects with value, all themes that are also prominent in Selznick's work. In Parsons' model, the relationship between parent and child serves as a prototype for social interaction. The inclination to conform to others' expectations arises from the child's "overwhelming sensitivity to the reaction of significant adult objects" (Parsons and Shils 1951:17). The mother's breast is the first object of cathectic attachment, but the child gradually learns to generalize needs from creature gratifications to socio-emotional rewards, and objects of cathexis from parents to other persons and, eventually, moral abstractions. With socio-emotional rewards as a lure, the child internalizes parental value-orientations and "introjects" standards of evaluation for the performance of roles, such that proper performance, by the self as well as by others, is seen as rewarding in its own right (Parsons 1951:201–48). Equipped with such values and needs-dispositions, as well as command of a symbolic system that renders communication possible, children grow into adulthood ready and able to conform to the expectations of alters and to play the social roles into which they have been cast. The integration of value-orientations within a collectivity is postulated as a functional imperative: roles are only "institutionalized when they are fully congruous with the prevailing culture patterns and are organized around expectations of conformity with mor-

ally sanctioned patterns of value-orientations shared by members of the collectivity" (Parsons and Shils 1951:23). "Institutional integration," that is, "the integration of a set of common value patterns with the internalized need-disposition structure of the constituent personality," is the "core phenomenon" at the base of social order (Parsons 1951:42).

This telegrammatic condensation hardly does justice to the richness and ingenuity of Parsons' account. Some of what we have left out—the numerous points at which Parsons introduces opportunities for conflict or fluidity into his system, or his discussions of additional mechanisms that complement normative consensus in ensuring social order—need not detain us here. What *is* worth noting is that the grounding of human behavior in morality and commitment, this selective inheritance from Freud, does not, as Parsons (1951:12) claims, emerge naturally from the action frame of reference; rather, it reflects a reductive strategy that minimizes crucial elements in Parsons' own definition of culture.[14] The roads not taken would have led to an enhanced appreciation of the purely cognitive aspect of routine social behavior.

In keeping with his tripartite scheme of orientations toward action, Parsons initially describes culture as including a cognitive realm (comprising ideas and beliefs), a cathectic (affective/expressive) dimension, and an evaluative element (consisting of value-orientations). Each of these aspects of culture could serve as objects of orientation or, by contrast, could be internalized as constitutive of orientations toward action. This schema is rich and sufficiently multidimensional to provide a basis for an exhaustive analysis of the ways in which cognition, affect, and values influence and are implicated in behavior (J. Alexander 1983). In developing the framework, however, Parsons makes a series of reductive moves that truncate radically the scope of his discussion. Of these, three are critical. First, culture as an object of orientation existing outside the actor is dismissed in favor of culture as an internalized element of the personality system, thus blocking analysis of the strategic use of culture in pursuing desired ends. Second, within culture's constitutive mode, Parsons shifts attention from cognitive to evaluative aspects by stressing "the internalization of value-orientations" and placing the inculcation of institutionalized role expectations at the center of analysis (Parsons and Shils 1951; Parsons 1951:37). Finally, cognition and cathexis are for most purposes conflated to a hybrid "cathectic-cognitive orientation" toward the situation of action that "always entails expectations concerning gratifications or deprivations" (Parsons and Shils 1951:11, 68–69). Thus Parsons rules out analysis of affectively and evaluatively neutral, taken-for-granted aspects of routine behavior ex cathedra, apparently for no better reason than to simplify the construction of his six pattern variables, to which "culture" is eventually further reduced. The result is that Parsons' break with utilitarianism is incomplete.[15] Action remains rational in the sense that it comprises the quasi-intentional pursuit of gratification by reasoning humans who balance complex and multifaceted evaluative criteria.

Parsons established a multidimensional paradigm that embraced the affective and evaluative dimensions of actors' orientations, and an unprecedentedly sophisticated form of role theory that linked individual and societal levels of analysis. He moved beyond narrow instrumental rationality, transcended the facile dichotomy between passions and interests, and endogenized and socialized motivation. These are no mean feats; but at the phenomenological level, in omitting the processes of cognition and adopting the stylized ego-alter paradigm, he reproduced utilitarianism's "as-if" style of reasoning and its rhetoric of gratifications and choice. It would be left to phenomenology and ethnomethodology to explore the cognitive-constitutive aspect of culture (Cicourel 1974; Heritage 1984, ch. 2).[16]

To summarize, Parsons' solution was incomplete for three reasons. First, he focused on the evaluative almost to the exclusion of the cognitive or cathectic aspects of culture and action-orientation.[17] Second, he implicitly treated action as occurring as if it were the product of a discursively reasoning agent.[18] Third, he assumed much more stringent requirements for both intra- and intersubjective consistency than recent work in psychology has shown to be the case. These problems follow less from the analysis of the unit act at the heart of his theory than from the model's grounding in personality psychology. He can hardly be blamed for this, for he wrote before psychology's cognitive revolution revised earlier images of consciousness. His view of self, culture, and society as morally integrated entities and his definition of institutions as a "system of regulatory norms, of rules governing actions in pursuit of immediate ends in terms of their conformity with the ultimate common value-system of the community" (Parsons 1990:324) reflect the era in which he was writing. These assumptions and the theory of action that followed from them made sense to institutionalists like Selznick and helped them illuminate previously neglected areas of organizational life. Before long, however, two forces—ethnomethodology and the cognitive revolution—would make Parsons' language of norms and values less resonant and lead to a search for an alternative theory of social action.

One of these, cognitive psychology, has an indigenous branch, the Carnegie school, within organization theory. A key contribution of the Carnegie school has been to focus on the routine, taken-for-granted aspects of organizational life. We can find traces of cognitivism in Weber's theory of bureaucracy—his emphasis on the role of "calculable rules" in reducing uncertainty and rationalizing power relations, and his notion that bureaucracy thus differs from administration by notables, which, "being less bound to schemata," is "more formless" and "functions more slowly" ([1922] 1978:956–1005). But cognitive science per se was introduced to organization theory by Herbert Simon and James March (Simon 1945; March and Simon 1958; Cyert and March 1963).[19]

March, Simon, Richard Cyert, and their colleagues developed an array of insights that students of organization now regard as foundational elements: the importance of uncertainty and its reduction through organizational routines; the notion that the organization of attention is a central process out of which decisions arise; the concern with the implications for decision making when choices are made under conditions of ambiguity about preferences, technology, and interpretation; and the many insights that follow from the view of decision making as a political process involving multiple actors with inconsistent preferences. The new institutionalists in organization theory owe a considerable debt to the Carnegie school. We learned from Simon's (1945:88–90) early work that habit must not be seen as a purely passive element in behavior, but rather as a means by which attention is directed to selected aspects of a situation, to the exclusion of competing aspects that might turn choice in another direction. Simon's (1945:79–109) rich discussion of the role of premises in structuring the activities and perceptions of organizational participants also remains an enduring insight. March and Simon (1958) taught us that organizational behavior, particularly decision making, involves rule following more than the calculation of consequences. March and his colleagues' recent work on the "garbage-can model" has deepened our knowledge of the complexity of decision-making processes: organization members discover their motives by acting; problems and solutions are typically decoupled; and decisions often occur through oversight or quasi-random mating of problems and solutions (Cohen and March 1974; March and Olsen 1976; March and Weissinger-Baylon 1986).

The work of the Carnegie school represents a robust alternative to the canons of choice found in statistical decision theory and microeconomic theory. In their efforts to develop a theory of choice driven by attention allocation, March and Simon's primary focus was on decision making and other internal organizational processes. This preoccupation led them away from an explicit concern with organizational environments. Nonetheless, in the evolution of organizational analysis from Barnard to the Carnegie school we see a shift, parallel to the transition from the old to the new institutionalism, from a normative to a cognitive approach to action: from commitment to routine, from values to premises, from motivation to the logic of rule following.

ETHNOMETHODOLOGY AND PHENOMENOLOGY

Because they were not sociologists, March and Simon had no need to confront the Parsonsian paradigm; moreover, their work had limited impact, at first, on general (as distinct from organizational) sociology. Within the discipline itself, the challenge of analyzing cognitive aspects of behavior and the taken-for-granted element in cognition went unmet until the 1960s, when Harold Garfinkel, a Parsons student influenced as well by the phenomenology of Alfred Schutz, took on the task. Garfinkel developed an approach to social investigation, ethnomethodology, that he came to regard as an alternative to

sociology; in return, sociology marginalized ethnomethodology as an exotic species of inquiry ill adapted to life east of the Sierras.[20] Yet despite the failure of Garfinkel's ambitious project on its own terms, his response to Parsons' normative theory of action has had a momentous impact.[21]

Garfinkel's work reopened the neglected problem of "order in symbolic systems" and sought to discover the nature of practical knowledge and the role of cognition in face-to-face interaction. Social order, he argued, does not derive automatically from shared patterns of evaluation and social roles, but is constituted, as practical activity, in the course of everyday interaction. Interaction is a complex and problematic process in which persons must work hard to construct a mutual impression of intersubjectivity. In their efforts to make sense together, conversational participants employ tacit background knowledge, cognitive typifications that Garfinkel refers to as "socially-sanctioned-facts-of-life-in-society-that-any-bona-fide-member-of-the-society-knows" (1967:76). Conversations are sustained by the inherent indexicality of language, the ability of participants to relate any utterance to some external knowledge that makes it interpretable.

Garfinkel departs from phenomenology in noting that contextual knowledge cannot sustain interactional order by itself, because the symbolic order is never perfectly shared. As Randall Collins (1981:995) puts it, utterances "are frequently ambiguous or erroneous, not always mutually understood or fully explicated." Thus conversation is not automatically sustained but is a "practical organizational accomplishment." People enter into conversation with an attitude of trust and a willingness to overlook a great deal, doing "accommodative work" to "normalize" interactions that appear to be going awry. Rules and norms possess large penumbral areas; an "et cetera clause" implicit in every rule leaves room for negotiation and innovation. Actors "ad hoc" when they encounter unexpected circumstances, and employ legitimating "accounts" to define behavior as sensible. Garfinkel developed this vocabulary in the context of a brilliant series of "breaching experiments" in which he and his students violated subtle constitutive expectations and noted the often dramatic consequences (Garfinkel 1967).

In what sense does ethnomethodology constitute a theoretical challenge to Parsons' model? To start with, Garfinkel shifted the image of cognition from a rational, discursive, quasi-scientific process to one that operates largely beneath the level of consciousness, a routine and conventional "practical reason" governed by "rules" that are recognized only when they are breached. To this he added a perspective on interaction that casts doubt on the importance of normative or cognitive consensus. The underlying attitude of trust and the willingness of participants to use normalizing techniques enable participants to sustain encounters even in the absence of real intersubjectivity, much less agreement (Cicourel 1974:53). Finally, intentionality is redefined as post hoc; whereas, for Parsons, action always has an evaluative aspect and a desired end,

for Garfinkel action is largely scripted and justified, after the fact, by reference to a stock of culturally available legitimating "accounts."[22]

Garfinkel retains norms, but they are not the substantive ones that Parsons had in mind. Rather they are cognitive guidance systems, rules of procedure that actors employ flexibly and reflexively to assure themselves and those around them that their behavior is reasonable. Deviation from these general rules may elicit strong emotional reactions, but such norms are neither articulated to values of the sort summarized in the pattern variables, nor plausibly connected to commitment in Parsons' sense of object attachment. Far from being internalized in the personality system, the content of norms is externalized in accounts. As such, Garfinkel's rules more closely resemble the "scripts" or "production systems" of cognitive psychology (Schank and Abelson 1977; Klahr et al. 1987) than Parsons' norms and values.[23]

The 1960s also saw the emergence of another line of phenomenological thinking, Peter Berger and Thomas Luckmann's *The Social Construction of Reality*. This work had a more direct influence on institutionally minded organizational scholars, no doubt because it granted institutions a larger role in ensuring social order. Berger and Luckmann (1967:19) argue that the central question for sociological theory is "How is it possible that subjective meanings become objective facticities?" Like Garfinkel, Berger and Luckmann emphasize the centrality of "common sense knowledge" to interaction and the bracketing of doubt. "The validity of my knowledge of every day life," they contend, "is taken for granted by myself and by others until further notice" (p. 44).

Berger and Luckmann, like Parsons, slight the microconstruction of social order that so concerned Garfinkel. Practical reason is not their concern. Indeed, their account of institutions as constituted by "a reciprocal typification of habitualized actions by types of actors" (1967:54) is similar to Parsons' discussion of institutionalized roles, but with a crucial difference. Their analysis operates largely at the level of cognition, whereas Parsons emphasizes the evaluative and cathectic aspect and the integration of role requirements with the personality system. By contrast, Berger and Luckmann grant extraordinary power to institutions as cognitive constructions, suggesting that they "control human conduct . . . prior to or apart from any mechanisms or sanctions specifically set up to support" them (p. 55). Even the internalization of typifications, although guided by cathectic attachments and linked to normative legitimation, is essentially cognitive in nature.

Ethnomethodology and phenomenology together provide the new institutionalism with a microsociology of considerable power. Although this foundation has not been discussed extensively (but see the chapters by Jepperson, Scott, and Zucker, who rectify this neglect), it is implicit in Meyer and Rowan's treatment of "accounts," in their emphasis on the role of the "logic of confidence" in sustaining an illusion of intersubjectivity within schools, and in

their definition of "institutionalized rules" as "classifications built into society as reciprocated typifications or interpretations."

This fusion of ethnomethodology and phenomenology is not a satisfactory theory of action, for it fails to offer convincing answers to several questions. First, why are actors willing to work so hard to sustain their images of reality and the interactions that confirm them? It is not enough to argue, as Berger and Luckmann do, that the exterior, objectified quality of shared typifications provides no alternative, for Garfinkel demonstrates that common sense alone is not adequate to produce successful interaction. Second, how do the microprocesses with which these theories are concerned produce social order? It cannot do to reduce social structure to an inventory of typifications or a set of constitutive rules. Socially provided and constituted scripts rarely prescribe action in a way that unambiguously establishes correct behavior. Third, what place do intentionality and interest have in the institutional order?

A full discussion of these issues would require a volume of its own. These problems have not been solved; nor, perhaps, are they likely to prove soluble within the framework of neoinstitutional theory. On the other hand, we can discern important developments in general social theory that bear decided affinities with the new institutionalism and are beginning to make their mark on it. It is to these approaches that we now turn.

ELEMENTS OF A THEORY OF PRACTICAL ACTION

The new institutionalism is based at the microlevel on what we have called a theory of practical action. By this we mean a set of orienting principles that reflect the cognitive turn in contemporary social theory in two ways. First, new work in social theory emphasizes the cognitive dimension of action to a far greater extent than did Parsons and, in doing so, has been influenced by the "cognitive revolution" in psychology. Second, this work departs from Parsons' preoccupation with the rational, calculative aspect of cognition to focus on preconscious processes and schema as they enter into routine, taken-for-granted behavior (practical activity); and to portray the affective and evaluative dimensions of action as intimately bound up with, and to some extent subordinate to, the cognitive. In other words, the cognitive turn informs an emergent "theory of practical action" that both defines cognition differently than did Parsons and, at the same time, accords it much greater importance.[24]

The insights of ethnomethodology are integrated into a more multidimensional framework in the work of Anthony Giddens (1979, 1984, 1986). The mark of Garfinkel is evident in Giddens's notion of "structuration," the continual and necessary reproduction of social structure by "knowledgeable agents" in everyday life and the reciprocal indexing of their actions to shared typifications; in his emphasis on the "reflexive monitoring of conduct in the day-to-day continuity of social life" (1984:44); and in his distinction between practical and discursive consciousness, or between tacit and conscious reflexivity. Giddens emphasizes the role of routine in sustaining social structure and sketches the rudiments of a psychology of motivation in his notion of the "basic security system" as a fundamental component of the self. Drawing selectively on developmental ego psychology, Giddens contends that the control of diffuse anxiety is "the most generalized motivational origin of human conduct" (p. 54). The means of such control is adherence to routine, and the compulsion to avoid anxiety motivates actors to sustain the social encounters that constitute the stuff of both daily life and social structure. Thus Giddens provides a cognitive theory of commitment to scripted behaviors that does not rest on the norms and sanctions of the Parsonsian tradition.

Giddens's account, however, does little to explain why some interactions go better than others or why routines create particular stable patterns. Although Giddens repeatedly stresses the point that actors are knowledgeable, in marked contrast to the view of humans as "cultural dopes," his work thus far provides little insight into the sources of this knowledge. A solution to the problem of macro stability requires an integration of the cathectic, affective element of action that, although just under the surface in Garfinkel's treatment of morality, is never fully developed.

Two theorists, Erving Goffman and Randall Collins, have drawn on Durkheim to explore this dimension of practical consciousness (Collins 1988a). Goffman (1967) made a decisive contribution in adapting Durkheim's theory of society to the dyad, interpreting interaction as miniritual, ceremonial activity oriented to affirming the sacredness of selves. Parsons, too, believed that people valued proper role performance in and of itself. But Goffman innovated by relaxing the assumptions of intersubjectivity and value consensus, comparing the "ritual order" he analyzed to the "schoolboy order" of Parsonsian theory, wherein people must work hard for the credits they gain and cheating elicits sanctions. The ritual game, he argues, is "easier" on societies and people alike because "the person insulates himself by . . . blindnesses, halftruths, illusions, and rationalizations" (Goffman 1967:43). What is crucial in the ritual game is the sense of affirmation that exchange partners derive from successful encounters, the feelings of selfhood that are reinforced. Commitment is to the "interaction ritual" and the self, and not to specific values, the explicit object of interaction, or the incidentals of appropriate role performance.

Collins has incorporated Goffman's process-driven insights into a more encompassing theory. What most people call social structure, he argues, is constituted out of "interaction ritual chains" in which people, operating at the level of practical consciousness, invest cultural resources and emotional energies in ritual encounters that enact either hierarchy (when cultural and emotional resources are unequal) or solidarity (when these are evenly matched). Rather than viewing society as bound together by a functionally necessary mor-

al consensus, Collins sees it as united and riven, to varying degrees, by emotional solidarity, emerging not out of the evaluative orientation of actors but from feelings of comembership or antagonism generated by repetitive interaction. Groups defined by class, gender, educational attainment, or occupation vary in their moral density, in their control of cultural resources, and in the number and dispersion of their interactions. These features in turn shape group members' styles of discourse, orientations toward deviance and punishment, and cosmopolitanism. Stability (in the sense of robust patterns of alliance and cleavage, rather than political or ideological stasis) emerges from the patterning of these interactions in time and space and from the enduring effects of solidarity, reinforced by recurrent rituals of varying intensity, where moral density is strongest (Collins 1981, 1988a).[25]

We have considered several contemporary theorists whose work, which bears an affinity to the new institutionalism, makes several key advances: it reestablishes the centrality of cognition; it emphasizes the practical, semiautomatic, noncalculative nature of practical reason; and it spurns the assumptions of intra- and intersubjective consistency that were prominent in Parsons' thought. But these gains have come at a cost. First, in overreacting to Parsons' exaggerated emphasis on norms, some sociological cognitivists have been slow to theorize the normative element of practical action, instead presenting images of action lacking in substantive content. Second, they have overlooked an important insight of Parsons, developed primarily in his argument about the decisive role of the cognitive orientation in economic decision making, that different institutional domains evoke cognitive, cathectic, and evaluative orientations to varied degrees. Third, they have failed to come up with an analytic construct as powerful as the role system to explain the relative fit between persons and the positions they occupy in the social division of labor. Even in these areas, however, advances can be detected from within the emerging practical action perspective.

Efforts to theorize the substantive bases of practical evaluation—why certain ideas, images, or symbols evoke strong affective responses, whereas others seem to operate at the cognitive level alone—have taken two forms.[26] First, some scholars have traced historically the rise and diffusion of what John Meyer calls the "Western cultural account," a Durkheimian complex of individualism, rationalism, and evolutionism, and linked the legitimacy and evocativeness of these referents, as employed in discourse, to changes in both social structure and culture (see the chapters by Jepperson and Meyer, and Friedland and Alford; also see Meyer 1988a and 1988b; Thomas 1989). At a more general level of abstraction, Mary Douglas (1986) has developed a sophisticated and intriguing argument attributing the legitimacy of institutions to their capacity to sustain "naturalizing analogies." Institutions, she argues, begin as conventions, which, because they are based in coincidence of interest, are vulnerable to defection, renegotiation, and free riding. To become institutionalized, a be-

havioral convention requires a "parallel cognitive convention to sustain it," an analogy that obscures its purely human origins. Equipped with such an analogic base, institutions appear as "part of the order of the universe and so are ready to stand as the ground of argument." But not all conventions can sustain naturalizing analogies, only those that "match a structure of authority or precedence" so that "the social pattern reinforces the logical patterns and gives it prominence" (Douglas 1986:52). Thus Douglas provides a basis for anticipating what kinds of institutions may arise and links the institutional order to patterns of social hierarchy.

The notion that the relative weights of cognition, affect, and evaluation change across various settings of action has been less developed, although here, too, we see recent progress. Scott and Meyer (ch. 5) distinguish between analytically independent institutional and technical dimensions of organizational environments: the more technically developed an environment, the greater the role for discursive and analytic cognition; the more institutionalized, the greater the roles of practical reason and, perhaps, evaluation. Bell (1973) suggests that economy, culture, and polity are organized around contradictory "axial principles" in postindustrial societies. Friedland and Alford (ch. 10) identify several institutional domains, each with its own "logic" of action emphasizing different bases of evaluation and, to some extent, the predominance of different action-orientations: cognitive in the market and bureaucracy, affective in the family, evaluative in religion.

The link between micro- and macrolevels of analysis has not received much explicit attention from practitioners of the new institutionalism, most of whom move back and forth among ethnomethodology, phenomenology, and conventional resource dependence arguments. Zucker (ch. 4) is the most ethnomethodological, suggesting that many typifications are "built up" from ground level by participants in interactions, although some (e.g., "organization") have general significance. Jepperson (ch. 6) too draws on ethnomethodology, echoing Giddens and Collins in viewing institutions as "stable designs for chronically repeated activity sequences." Jepperson and Meyer (ch. 9) are the most phenomenological, emphasizing shared typifications that vary across societies but are largely shared within nation-states. Scott and Meyer (ch. 5) and DiMaggio and Powell (ch. 3) employ more structural imagery and draw on the Carnegie school's notion of satisficing: the former emphasize incentives created by vertical authority structures that vary across organizational sectors; the latter stress horizontal networks that both focus attention and aid in the diffusion of shared typifications of organizational form.

Within the broader field of social theory, we come closest to a genuine alternative to Parsons' version of role theory in Pierre Bourdieu's (1977) theory of the *habitus.* Bourdieu's work has been an important part of the cognitive turn in social theory, emphasizing the doxic (taken-for-granted) elements of action, social classification, practical consciousness ("knowledge without concepts"

[1984:470]), and the situated, embodied reproduction of social structure (Bourdieu and Passeron 1977). The habitus is an analytic construct, a system of "regulated improvisation" or generative rules that represents the (cognitive, affective, and evaluative) internalization by actors of past experience on the basis of shared typifications of social categories, experienced phenomenally as "people like us." Because of common histories, members of each "class fraction" share a similar habitus, creating regularities in thought, aspirations, dispositions, patterns of appreciation, and strategies of action that are linked to the positions persons occupy in the social structure they continually reproduce. Institutions, in this view, are inseparable from the distribution of dispositions: an institution can "only become enacted and active" if it, "like a garment or a house, finds someone who finds an interest in it, feels sufficiently at home in it to take it on" (Bourdieu 1981:309).

The habitus construct is the cornerstone of Bourdieu's theory of practice. Its role is to explain how and why strategically oriented agents chronically reproduce and acquiesce to social structures that are not in their interest. With respect to the issues identified above, Bourdieu's argument makes four critical contributions. First, it provides an alternative account to role theory of the differentiation of cognitive understandings and behavioral norms along social-structural lines. Second, it moves beyond the Freudian imagery of "internalization" to posit a generative grammar of strategic behavior, rooted in but not fully determined by the past. Third, it is multidimensional in two senses: pointing to a substantive theory of practical evaluation rooted in differences in the habitus of class fractions; and providing an account of "rational" strategies of action as themselves institutionalized.[27] Fourth, it offers an alternative solution to the Parsonsian problem of the allocation of persons to social positions. To be sure, the habitus construct requires further development, and empirical questions about the precise forms of social boundaries with which variations in the habitus coincide and the ways in which the habitus is transformed over time remain open. Nonetheless, Bourdieu's framework offers a particularly balanced and multifaceted approach to action. Although his work is just beginning to influence organization theory (DiMaggio, ch. 11; Bourdieu and Boltanski 1975; Thévenot 1984; Boltanski 1987; Marceau 1989), much of it dovetails with and may contribute to a broadening and deepening of the institutional tradition.[28]

IMPLICATIONS OF THE NEW THEORY OF PRACTICAL ACTION

Placed in the context of the transformation in the sociological theory of action we have described, the differences between the old and new institutionalisms in organizational analysis become understandable. The shifts in theoretical focus from object-relations to cognitive theory, from cathexis to ontological anxiety, from discursive to practical reason, from internalization to imitation, from commitment to ethnomethodological trust, from sanctioning to ad hocing, from norms to scripts and schemas, from values to accounts, from consistency and integration to loose coupling, and from roles to routines have quite naturally altered the questions that students of organizations have asked and the kinds of answers they have offered.

When institutions were seen as based on values and commitment, and formal organization identified with the relatively rational pursuit of goals, it made sense to ask how the "shadowland" of informal social relations provided a counterpoint to the formal structure. By contrast, if legitimacy is derived from post hoc accounts or symbolic signals, it is more sensible to focus on the institutionalized quality of formal structures themselves. Indeed, it is an emphasis on such standardized cultural forms as accounts, typifications, and cognitive models that leads neoinstitutionalists to find the environment at the level of industries, professions, and nation-states rather than in the local communities that the old institutionalists studied, and to view institutionalization as the diffusion of standard rules and structures rather than the adaptive custom-fitting of particular organizations to specific settings.

In other words, the differences between the old and new institutional approaches to organizations could not be less arbitrary. They reflect, are shaped by, and are themselves coming to influence widespread and convergent changes throughout social theory in fundamental images of human action and society.

New Directions in Institutional Theory

Although we are sympathetic to the trends we have described, our intention has been cartographic rather than celebratory. As should be clear from the foregoing, we suspect that something has been lost in the shift from the old to the new institutionalism. Although the prime importance of assimilating the cognitive revolution to sociological theory is undeniable, we agree with Alexander (1987) that the goal must be a sounder multidimensional theory, rather than a one-sidedly cognitive one. Indeed, one of the key purposes of the conference to which this volume can be traced was to expand the universe of discourse in institutional theory to include researchers whose work placed more emphasis on the strategic and political elements of action and institutional change. The result, both at the conference and in this book, has been to integrate more firmly organizational institutionalism with general sociology, to place interests and power on the institutional agenda, and to clarify and deepen the conversation about the form that a theory of institutional change might take.

One of the principal goals of this volume is to address head on the issues of change, power, and efficiency. Up until now, it is fair to say the new institutionalism has been most attentive to processes of legitimation and social reproduction. We have emphasized that organizational environments are composed of cultural elements, that is, taken-for-granted beliefs and widely

promulgated rules that serve as templates for organizing. Institutional re-production has been associated with the demands of powerful central actors, such as the state, the professions, or the dominant agents within organizational fields. This emphasis has highlighted the constraints imposed by institutions and stressed the ubiquity of rules that guide behavior. But institutions are not only constraints on human agency; they are first and foremost products of human actions. Indeed, rules are typically constructed by a process of conflict and contestation. Burns and Flam (1987) make this point forcefully when they argue that the major political struggles in modern societies revolve around the formation and reformation of rule systems that guide political and economic action.

Thus, although we stress that rules and routines bring order and minimize uncertainty, we must add that the creation and implementation of institutional arrangements are rife with conflict, contradiction, and ambiguity. The chapters in parts 2 and 3 tackle a series of fundamental questions: How do institutional arrangements shape the nature of collective action? How persistent are institutions—how mutable are institutionalized practices? When do different institutional logics challenge one another? What is the role of elites in maintaining existing institutions? Under what conditions are challengers and entrepreneurs able to refashion existing rules or create new institutional orders? And, finally, what are the tensions between arguments that emphasize the "stickiness" of institutions and approaches that assume an optimization logic, depicting institutions as the results of intentional actions or adaptive solutions to conflicting interests.

INSTITUTIONS AS SHAPERS OF INTEREST AND POLITICS

A theme that runs through many of the contributions to this volume is the notion that actors and their interests are institutionally constructed. Ann Swidler (1986) has argued that "culture" represents a tool kit from which people select both institutionalized ends and the strategies for their pursuit (see also Bourdieu 1981). Similarly, Scott (ch. 7) contends that "institutional frameworks define the ends and shape the means by which interests are determined and pursued." Cultural frames thus establish approved means and define desired outcomes, leading business people to pursue profits, bureaucrats to seek budgetary growth, and scholars to strive for publication. Friedland and Alford (ch. 10) agree that "utility maximization, satisficing, income maximization, profit maximization, risk power, even interest itself are all institutionally contingent." And Jepperson and Meyer (ch. 9) suggest that "functional needs" and social problems are only discovered and addressed when they fit within existing institutions.

Such arguments are ably documented with examples of historical change and cross-national variation in cultural definitions of actors, interests, and politics.

Yet they beg an important question: If institutions exert such a powerful influence over the ways in which people can formulate their desires and work to attain them, then how does institutional change occur? The answers to this question include those that work from within an institutional framework, and those that see the origins of change in processes that are not institutional.

Several authors take the first path in developing notions of "institutional contradiction." One form of contradiction is related to the way in which institutions fit together at the microlevel. Jepperson (ch. 6) emphasizes the nesting of institutions with one another. Greenwood and Hinings (1988), reintroducing Selznick's organizational character but with a cognitive spin, argue that organizational components and strategies fall into socially constructed, interdependent clusters, which they call archetypes. Zucker (1988b) contends that, within organizations, institutionalization of components spreads by a "contagion of legitimacy," as new elements linked to old institutions themselves become institutionalized. In other words, institutional elements constitute an interrelated network of mutually supportive or antagonistic parts.

This imagery has several implications for discussions of change. For one thing, it suggests that institutional models are unlikely to be imported whole cloth into systems that are very different from the ones in which they originate. This point is well illustrated by Westney's (1987) account of the innovations that late nineteenth-century Meiji emulators developed in the course of fitting Western models of the police, postal system, and newspaper into a preexisting Japanese institutional framework. For another, it suggests that tightly coupled institutions may be unstable in the face of external shocks. Moreover, as Zucker (1988b) contends, given the variation in local environments, strong institutionalization at the local level may interfere with the persistence of vital macroinstitutions.

The degree of coupling among institutions is ultimately an empirical issue. For example, while Zucker (1987) sees the dependence of professionals on organizations as preventing them from acting as a source of change, Scott (ch. 7) and Powell (ch. 8) argue that the competing claims of professionals create conflicts and heighten ambiguity. Disputes over professional jurisdiction generate uncertainty about which rules and routines are evoked in special situations. Similarly, DiMaggio (ch. 11) describes the relative autonomy of organizational levels, demonstrating that the same museum professionals who behaved docilely in their home organizations sponsored radical reform from field-level platforms.

Friedland and Alford (ch. 10) develop a quite different argument about "institutional contradiction." Society, they contend, comprises several different institutional orders, each with a central logic—a set of material practices and symbolic constructions—which constitutes its organizing principles and which is available to organizations and individuals to elaborate. Conflict occurs when institutional orders come into contradiction (as when people struggle over

whether to treat women's work or the sale of body organs as falling under the rules of the marketplace, the family, or religion). Rather than pitting "rational" deinstitutionalizers against "conservative" institutions, politics concerns "the appropriate relationship between institutions" and the question of "by which institutional logic different activities should be regulated and to which categories of persons they should apply."

Friedland and Alford's perspective has much face validity. Interinstitutional conflict may be discerned in DiMaggio's (ch. 11) account of the democratic versus elite models of the American art museum in the 1920s and in Galaskiewicz's (ch. 12) discussion of business leaders' efforts to maintain a communitarian rather than a pure market model of the corporate role in Minneapolis.

EXTRAINSTITUTIONAL SOURCES OF INSTITUTIONAL CHANGE

None of the authors regards institutions as entirely immutable or institutional change as a strictly endogenous process. Jepperson (ch. 6) and Fligstein (ch. 13) both mention the effects of exogenous shocks that block the reproduction of institutional patterns and thus induce change, and Jepperson considers collective action as a separate causal mechanism that can erode or eliminate institutions (although the form and object of such action may themselves be institutionalized). Meyer and Rowan distinguish between institutional effects and "the effects generated by the networks of social behavior and relationships which compose and surround a given organization." Scott and Powell acknowledge that institutional constraints always leave space for the autonomous play of interests and improvisation.

Power and interests have been slighted topics in institutional analysis. To be sure, Meyer and Rowan pointed to the power of the state and the collective mobilizing efforts of the professions. DiMaggio and Powell stressed how coercive processes, that is, the direct imposition of standard operating procedures by powerful organizations in a field, as well as more subtle pressures for conformity, limit variability. But little attention has been focused on how incumbents maintain their dominant positions or respond to threats during periods of crisis or instability. And we know even less about how skillful entrepreneurs put multiple institutional logics to strategic use. The chapters in this volume begin to redress this neglect.

Efforts to incorporate power into institutional arguments begin with two simple observations: (1) actors in key institutions realize considerable gains from the maintenance of those institutions; and (2) when organizational fields are unstable and established practices ill formed, successful collective action often depends upon defining and elaborating widely accepted rules of the game. Consequently, the acquisition and maintenance of power within organizational

fields requires that dominant organizations continually enact strategies of control, most notably through either the socialization of newcomers into a shared world view or via the support of the state and its judicial arm.[29]

Fligstein makes this point nicely in arguing that certain corporate strategies were favored by CEOs with marketing and finance backgrounds because the strategies fit their interests and competencies. Successful executives developed conceptions of control that came to dominate their industries and defined appropriate standards of behavior. Brint and Karabel (ch. 14) note the fit between the vocationalizing agenda of community college administrators and their backgrounds and status concerns. DiMaggio describes museum professionals who sought radical changes in museum missions and policies that would tend to enhance their own positions relative to those of their trustees.

In all of these cases, advocates of change drew on institutionalized models and employed highly legitimate and stylized accounts, which we have no reason to doubt they believed, to advance their positions. But the options favored and terms of debate bore a decided affinity to the interests of the participants.

The three case studies of institutionalization—Galaskiewicz on corporate philanthropy, Brint and Karabel on community colleges, and DiMaggio on art museums—are remarkably convergent in suggesting how power and interests shape the evolution of organizational fields. Each identifies goal-oriented elite intervention at critical points in a field's development; each illustrates the construction of fieldwide organizations, with professionals playing leading roles, that exerted an autonomous impact on ideology and behavior; and each documents contests between institutional models that were shaped around strategic considerations. The point is not that the interests pursued were not in some sense institutionalized, but that for the explanatory purposes of each paper, the active political side of the story (which, in each case, has decisively institutional elements) is more germane.

Brint and Karabel suggest that neoinstitutionalists still have much to learn from Selznick's work, which focused directly on the exercise of power. "Our difficulties with the new institutionalism," they write, "have less to do with its tenets than with its silences." In some respects, the vocationalization of the community college is a textbook institutionalization story: a change in organizational mission sponsored by key elites as a contribution to the goals of justice and economic progress, it began slowly then diffused widely. But it is an institutional story with an odd twist: diffusion occurred only after sixty years of fruitless advocacy by community-college administrators and their allies. What explains, first, the continued but ineffectual efforts at vocationalization in the face of student opposition and, second, the project's eventual success? To answer this question, Brint and Karabel emphasize not only institutional models and rational myths, but also "the pursuit of organizational interests" and "the role of group struggle in shaping organizational structures and policies."

An Institutional Perspective on Competition and Efficiency

The contributions to this volume reflect not just an effort to deal with politics and conflict, but a parallel attempt to come to terms with the problems of competition and efficiency. Typical of this effort is the rapprochement between institutionalism and the population ecology approach. Institutionalists are now much more willing to acknowledge the importance of competition and organizational selection than they once were (see Powell, ch. 8). Ecologists, for their part, now emphasize the importance of institutional factors in competition and explicitly disavow Panglossian models of organizational evolution (Hannan and Freeman 1989). Chapter 16 by Singh, Tucker, and Meinhard is a fine example of this convergence: using population models, the authors demonstrate the effects of institutional change on population dynamics and the salutory effect of institutional legitimacy on the survival rates of Toronto's voluntary social-service agencies. They suggest that competition for social fitness has a decided payoff.

Rather than deny the importance of competition, institutional theorists now emphasize the historical and intersocietal variability of competitive regimes and the role of institutions in constituting these regimes. Chapter 15 by Orrù, Biggart, and Hamilton illustrates this point vividly with its comparison of intercorporate coordination in Japan, Taiwan, and Korea. Firm structures and interfirm networks are "strikingly uniform or isomorphic within each economy, but different from each of the others—they express the organizing principles of that economy's environment." The authors challenge the notion that institutional and technical imperatives are inconsistent; by contrast, they find that institutional and technical considerations "converge harmoniously in shaping organizational forms." Rather than "hamper organizational efficiency," the "distinct conceptions of what constitutes appropriate economic activity" in their three East Asian cases "provide a basis for market order and for competitive relations."

Indeed, as Powell (ch. 8) and Scott (ch. 7) suggest, the early tendency of many neoinstitutionalists to identify technical features with for-profit firms and institutional forces with nonprofit or government agencies is no longer viable. The successful application of institutional models to the adoption of structural elements and practices by proprietary companies, illustrated by Galaskiewicz's chapter on corporate philanthropy and Fligstein's on corporate strategy in this volume, has become a growth industry. Recent efforts in this vein include treatments of the multidivisional firm (Fligstein 1985), patterns of corporate philanthropy (Galaskiewicz 1985a; Galaskiewicz and Burt 1991; Galaskiewicz and Wasserman 1989; Useem 1987), training and promotion procedures in law firms (Tolbert 1988; Tolbert and Stern 1989), the introduction and spread of matrix management (Burns and Wholey 1990), financial reporting methods (Mezias 1990), legal departments of multinationals (Miyazawa 1986); due process procedures in corporations (Dobbin et al. 1988; Edelman 1990), human resource policies (Baron, Dobbin, and Jennings 1986), and management buyouts (Amburgey and Lippert 1989). All of these studies provide ample illustration of how institutional forces shape corporate structures and practices.

Do such findings mean that businesses are inefficient? The implications are far from obvious. On the one hand, early expressions of the new institutionalism explicitly contrasted institutional processes to those driven by efficiency considerations, contending that money spent on ceremonial or legitimating activities constituted "pure costs from the point of view of efficiency" (Meyer and Rowan, ch. 2; see also DiMaggio and Powell, ch. 3). But this argument is questionable for several reasons. First, we must distinguish between the processes by which an organization makes a change from the effects of the change it has made: a firm that adopts a product-related diversification strategy because it is accepted in its industry might well benefit materially from this decision. Second, we must ask whether institutionally driven choices (e.g., the adoption of a human resource management department) have any net impact on efficiency at all. Third, we must account for the income-producing effects of legitimacy rather than simply looking at the cost side: it may be highly efficient for a school district to spend a million dollars on ceremonial activities if the resulting legitimacy induces voters to endorse a $15 million bond issue.

The key thrust of institutional analysis is neither to expose the inefficiency of organizational practices nor to celebrate the nonoptimality of institutional arrangements. We are skeptical of arguments that assume that surviving institutions represent efficient solutions because we recognize that rates of environmental change frequently outpace rates of organizational adaptation. Because suboptimal organizational practices can persist for an extended period of time, we rarely expect institutions simply to reflect current political and economic forces. The point is not to discern whether institutions are efficient, but to develop robust explanations of the ways in which institutions incorporate historical experiences into their rules and organizing logics.

Acknowledgments

Yale. The authors bear responsibility for such unclarity or unsatisfying treatments of controversial matters as remain.

Notes

1. Scott and Meyer have substantially revised their paper for this volume and Zucker has added a new postscript to hers. The chapters by Meyer and Rowan and DiMaggio and Powell appear in their original form.

2. For definitional discussions of *institution, institutionalized,* and *institutionalization,* see the chapters in parts 1 and 2, especially those by Jepperson (ch. 6) and Scott (ch. 7).

3. In doing so, we are more concerned with central tendencies than with exceptions. Although neoinstitutionalism in economics and political science emerged in opposition to atomism rather than models of rational action, many economists and political scientists have come to question (and in their models, to modify) key elements in the rationalists have dominated their fields. On the other hand, choice approaches to institutions that have dominated their fields. On the other hand, approaches such as transaction-cost economics and agency theory have made inroads into organizational analysis and sociology. To make matters even more complicated, earlier uses of *institution* persist in sociology (where *institution* sometimes refers to such complexes of interrelated agents and activities as law, religion, medicine, the family, or the state), political science (where *institutional* work includes historical or richly descriptive accounts of such political units as state agencies or legislatures), and history (where *institutional* sometimes refers to studies of constitutions and kings). Our point is not that any discipline presents a unified front, but that variation in the treatment of institutions between disciplines tends to be greater than the variation within them.

4. Putterman 1986 provides an excellent overview of this literature and offers samplings of key papers in this tradition. As Richard Nelson has pointed out in a personal communication, the new institutionalism in economics contrasts sharply with what used to be known as "institutional economics." The latter, associated with such early twentieth-century scholars as John Commons and Thorstein Veblen, was quite sociological in its emphasis on custom, political economy, and the historical specificity of economic institutions.

5. See Young 1986 for a thoughtful review of early work on regimes. He is critical of the vagueness and the disconcerting elasticity of the key concepts, but he suggests this work represents an important new line of thought on international relations.

6. Under circumstances of rapid societal-level cultural change, however, organizations may incorporate new elements in the institutional environment at a rapid rate. We are grateful to John Meyer for this point, which is illustrated in Thomas 1989.

7. We thank Ron Jepperson for the latter point.

8. A process of system change is state-dependent when the probability and direction of change from one period to the next are a function of the state of the system at the initial period.

9. This is particularly the case with respect to the old institutionalism, the boundaries of which were constructed retrospectively to enclose a variety of works and authors who did not regard themselves as members of a self-conscious school (Perrow 1986). In our discussion, we refer especially to the *loci classici* of the old institutionalism, Selznick's *TVA and the Grass Roots* (1949) and *Leadership in Administration* (1957).

10. Although *cognition* sometimes refers to the full range of mental activity, we follow current usage in distinguishing between cognition, on the one hand, and affective or evaluative processes on the other. By *cognition* we refer to both reasoning and the preconscious grounds of reason: classifications, representations, scripts, schemas, production systems, and the like.

11. Our argument here is only that the institutional theory of organizations has participated in a broader theoretical turn; we are not interested in questions of priority. A casual perusal of citation patterns and publication dates suggests that, except for the impact of Garfinkel and Berger and Luckmann on the early formulations of Meyer and Rowan and Zucker, the affinity between organizational institutionalism and these broader currents is largely one of convergence rather than influence. If anything, the cognitive revolution seems to have reached institutional theory before making its mark on social theory as a whole, probably due to the presence within organization theory of the seminal work of Herbert Simon and James March. The papers in this volume evince a diminishing parochialism within institutional theory as awareness of convergent work from outside the field of organization studies has grown (see Friedland and Alford, Jepperson, Jepperson and Meyer, Powell, and Scott).

12. We would distinguish our view, which is consistent with Collins's (1981) call for "microtranslation," from individual reductionism (i.e., positing motivated individual action as the ultimate cause of all social phenomena in an analytic sense). In keeping with this, we use the term *action* throughout to refer to social behavior, without any of the muscular, rational, or individual reductionist connotations that some have associated with that term. We are grateful to John Meyer, Ron Jepperson, and other readers of an earlier version for pressing us to make explicit our reasons for concentrating on microfoundations in this draft, and for clarifying the lack of consensus within institutional theory on the relative importance of the "micro" side.

13. In referring to the "middle" period, we follow Alexander 1987:53–72. Our discussion of Parsons draws on two major works (Parsons and Shils 1951; Parsons 1951) that were published after Selznick's *TVA and the Grass Roots* (1949). Parsons integrated object-relations theory into his model of action during the 1940s, however, and Selznick had access to his essays (e.g., Parsons 1945) during this period. Selznick 1957 also drew directly on work in ego psychology.

14. For an insightful discussion of how Parsons' treatment of social action neglects the ways that individuals construct their behavior out of an amalgam of cultural roles and normative values, see Camic 1989:63–69.

15. Indeed, Mayhew 1984 has illustrated how, despite Parsons' early criticisms of utilitarianism, the later work of Parsons progressively incorporated a utilitarian image of a modern social order. Both Mayhew 1984 and Bourricaud 1981 suggest that Parsons sought to extend the tools of utilitarian theory beyond the realm of the market to all modern forms of social organization. This "institutionalized individualism" (Bourricaud 1981) argues that processes of exchange are stabilized by constraining normative structures external to the exchange partners. Some readers may note the obvious parallels between this version of institutionalism and recent work in the new institutional economics. See Camic's (1986:1076) discussion for more on this point.

16. In an extraordinarily thoughtful and extensive set of comments on an earlier draft of this essay, Jeffrey Alexander suggests that Parsons' view of values and norms is far more consistent with cognitivists' images of scripts, rules, and classifications than we acknowledge and that Parsons anticipated much of the "practical theory of action" that we describe below. To be sure, Parsons' critique of utilitarianism, his portrayal of the analytic autonomy of levels of analysis, and his concern with the mutual orientation of actors are all fundamental precursors to the contemporary approaches we discuss; his contribution is easy to take for granted today precisely because it was so effective. On the other hand, we find it difficult to locate in Parsons' major writings evidence that he anticipated the trends we describe; we are struck, instead, by his emphasis on the moral aspects of value-commitments, the general fit between values and norms, and the quasi-rational manner in which actors pursue means-end chains. The issue is a difficult one, because Parsons did not have at his disposal the vocabulary that has developed over many years of work by the Carnegie school, ethnomethodologists, and cognitive psychologists, and therefore could not easily have expressed certain images of action even if he anticipated them. Moreover, as Alexander has noted, Parsons' work is complex and not always internally consistent. It may be safest to conclude that Parsons' discussions of values and norms, employing the language available to him, lend themselves to a reification of values, a treatment of persons as "oversocialized," and an essentially moral view of the evaluative dimension of actors' orientations to the means and ends of action. In other words, we believe we give an accurate account of "Parsonsianism" as it was received into American sociology, even if Parsons himself had a more complex view of the manner in which values and norms enter into action than we imply.

17. Cognition for Parsons is assimilated, as Warner 1978 tells us, to either a scientific mode of thought or a normative one. Warner 1978:1328 points out that the former analytic move rejects the notion that cognition has variable properties, while the latter effort recognizes the variable status of cognition but reduces it to little more than the status of a belief. As a result, the social actors in Parsons' scheme appear to lack either interpretive competence or practical consciousness. This passive individual has been aptly labeled a "cultural dope" by Garfinkel 1967:66–68.

18. A key premise of Parsons' *Structure of Social Action* (1937) is that action consists of a reasoned selection of means and ends by the application of guiding norms. Yet the unremitting thrust of his argument was to homogenize social action (Camic 1986). By omitting any consideration of the habitual nature of action, he severely handicapped his efforts to account for patterns of order in social relationships.

19. March and Simon drew some of the inspiration for their pathbreaking work from *The Function of the Executive*, written by Chester Barnard (1938), an AT&T executive seconded to the Harvard Business School. Barnard was a talented amateur scholar; *Functions* is theoretically undisciplined, full of sharp but not always consistent insights. The influence of Harvard, of Parsons, and of the Henderson circle and their appreciation of Pareto is evident in Barnard's systems approach. His voluntaristic model of attachment to the firm and his emphasis on passionate commitment as a source of organizational solidarity are consistent with Parsons' normative theory of action. But there is also a cognitive side to *Functions*, found in Barnard's analysis of decision making, in his prescient account of what would later become known as the "enacting environment," in his view of goals and subgoals as objects that leaders can manipulate, and in his notion of the "zone of indifference" within which workers comply unreflec-

tively with management directives. What Simon, March, and their Carnegie colleagues achieved was to purge Barnard of Parsons and to systematize and develop further the cognitive theory that was struggling to escape.

20. Garfinkel has published relatively little, and his writing often resists easy comprehension; his major work is *Studies in Ethnomethodology* (1967). Fortunately, the secondary literature is systematic and informative; see, especially, Heritage 1984, 1987 and Alexander 1987:238–70.

21. Alexander 1987 has distinguished between Garfinkel's early work, which represents an elaboration of Parsons' framework, and his later work, which repudiates it. Our comments refer to the second phase, which has had a more marked influence on contemporary theory.

22. A related line of argument in organizational behavior has been pursued by Weick in his work (1976) on loosely coupled systems, and by Staw and his colleagues (Staw 1981; Staw and Ross 1987) in their work on the escalation of commitment.

23. Within neoinstitutionalism, the position of norms and associated "sanctions" is a matter of some disagreement or, perhaps, ambiguity. Scott and Meyer contend that institutions rest on normative as well as cognitive foundations; DiMaggio and Powell (ch. 3) describe normative isomorphism, but, as Scott (ch. 7) argues, do not distinguish it clearly from cognitive effects. Zucker (postscript to ch. 4) is more strictly cognitive, arguing that the use of sanctions to defend a behavior pattern is evidence of weak institutionalization, insofar as high levels of institutionalization make sanctions unnecessary. Jepperson and Powell (chs. 6 and 8), by contrast, view the support of rewards and sanctions as an intrinsic aspect of institutions, but Jepperson specifies that such support occurs through "relatively self-activating social processes," while Powell relies more on the binding power of rules.

24. It may be useful to contrast this approach to rational-actor models and the Parsonsian model of action with a concrete example, the increasingly well-worn case of the motorist stopping at a highway restaurant to which she expects never to return. A rational motorist would fail to leave a tip, calculating that the waiter who has been stiffed would have no opportunity to sanction her misbehavior. A Parsonsian motorist would leave a tip because she had internalized the notion that this was good; she and the waiter would smile at one another as she did so in mutual appreciation of her appropriate role performance. A practical actor would also leave a tip, because that is what one does, but without experiencing a warm glow. If the practical actor stopped to think about it, she might fail to leave a tip (if her image of human action is derived from graduate economics courses) or she might leave one and feel good about it (if she is an ex-waitress or a Parsonsian), but under most circumstances she won't give the matter much thought.

25. Few neoinstitutionalists have embraced Collins's work for two reasons (but see Jepperson, ch. 6). First, his best-known paper on the topic rather misleadingly rejects "cognitive" approaches to action because it identifies "cognition" with rational, discursive thought. In fact, Collins follows ethnomethodology in laying considerable emphasis on the "irreducibly tacit element in cognition and communication" (1981:991); what he rejects is a preoccupation with that part of cognition Giddens refers to as discursive consciousness, along with the "as-if" rationalist vocabulary of values and norms. Second, because of his emphasis on the interactional foundations of social organization and on the affective or ritual aspects of the micro-order, the work is sometimes misinterpreted as sharing the radical realism of some (but by no means all)

ethnomethodologists, that is, as regarding macroconcepts as "mere" epiphenomena of, or glosses on, an "essential" microlevel. In fact, although he regards the ritual aspect of interaction as primary, Collins (1981) acknowledges the role of accounts, macroreferences, and cultural resources in normalizing and structuring interactions. Because he assumes the polemical burden of challenging reified, quasi-rational accounts of social action, Collins opts to neglect the origins and use of shared typifications (but see his more recent work, especially Collins 1988a and 1988b). Nonetheless, his approach points to a solution to the problem of order that is more consonant with new research on cognition and more plausible than approaches that undervalue affect and ritual. In this volume, both Meyer and Rowan, and Friedland and Alford develop institutional arguments that incorporate attention to ritual and ceremony at a more macrolevel. Also see Meyer 1988a on the sacred modern self.

26. The need for such work is evident on empirical grounds. Given that anything that enters into human interaction can become the basis of a shared typification, why are some typifications (the nation, the family, private property) so much more compelling than others (counties, second cousins, the commons)? A purely cognitive theory of action, even one that integrates Giddens's ideas about the basic security system, cannot account for the dramatically different affective and normative responses of the subjects in Zucker's experiment under the "office condition" (ch. 4) and the participants in Milgram's obedience-to-authority research program (Milgram 1974).

27. On the former, see, especially, *Distinction* (Bourdieu 1984); on the latter, see, especially, *The Logic of Practice* (1990).

28. The natural affinity between Bourdieu's ideas and neoinstitutional theory is especially evident in Thévenot 1984; note also Jepperson's characterization of "institutionalization as a particular set of social reproductive processes" (ch. 6).

29. There are intriguing parallels between institutionalist thought and the Marxian tradition in this regard, and much room for a dialogue that has not yet taken place. Antonio Gramsci's notion of hegemonia (1971), the domination by elites of the consciousness of members of other classes, for example, directs attention to why some ideas and practices are institutionalized and others are not. Similarly, Michael Mann's (1973) depiction of the four-part process by which a social class achieves "consciousness"—recognition of itself as a class, awareness of the capitalist as an opponent, heightened salience of the class identity, and the identification of alternatives—has much in common with institutional accounts of change. These affinities have rarely been acknowledged for two reasons. First, authors in the Marxian tradition generally hew to an a priori model of class structure that is of limited applicability to many phenomena in which neoinstitutionalists are interested (especially at the organizational level). Second, Marxian analysts ordinarily view social change as the result of conflict between self-conscious, rational (corporate) actors (a tendency at its most explicit in contemporary "analytic Marxism" [Wright 1985; Elster 1982]), treating processes that institutionalists view as nearly universal as pathological departures from rationality ("false consciousness"). Nonetheless, the Marxian tradition has the virtue of focusing on the exercise of power (conscious or unconscious), on the means by which power is exercised, and on patterns of inequality of power common to most large-scale societies. We are grateful to Don Shin for reminding us of this, and to Chick Perrow for repeated exhortations to attend seriously to power and inequality, a point that we concur with and have tried to attend to elsewhere (see DiMaggio 1988a and Powell 1985b).