Theories of institutions

Sundeep sahay
Key debates/problematics

• To explain change rather than stability
• The paradox of “who will change the institutional” when the actor is in himself a product of the institution. The idea of institutional entrepreneurship
• How are institutions broken down?
• What are mechanisms contributing to this break down?
Key concepts

- Institutions
- Institutionalization
- Organization field
- Institutional entrepreneurship
- Institutional stability
- deinstitutionalization
Institutions and organizations

• If institutions are the rules of the game, organizations are the players who play the game according to the rules....(North)
Formal and informal institutions

• Formal institutions, for example
  – The constitution
  – Laws
  – Regulations

• Informal institutions or constraints
  – Work practices
  – Local resources available etc
Institutions

• The greater the overlap between the formal and informal, the easier will be the process of organization change (Piotii et al 2006)
Institutionalism

• Is both the theory itself and the strategy that describes seeks to develop and apply them (Jepperson 1991)

• *New institutional* theory, also known as *neo institutionalism*, differs from the ‘old’ one in that it focuses more on the cognitive aspects of institutions.

• Further, provides concepts to study change
Institutions

- Scott (2001) defines institutions “as multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources”
- *Institutions* as humanly devised rules in a society that shape human interactions- “rules of the game” (North 1990)
- While formal rules contain political rules, economic rules, and contracts, informal rules include taboos, customs and traditions (Jepperson 1991).
- Both formal and informal institutions help to give pattern to human behavior by enabling and constraining their activities.
Pillars of institutions

According to Scott

• Regulative: focuses on the ability of institutions to constrain and regularize behaviour

• normative: emphasizes on the normative rules that prescribe rights and privileges as well as responsibilities and duties

• cultural-cognitive: stresses the shared conceptions that constitute the nature of social reality and the frames through which meaning is made.
Organization change

• Organizational change often occurs as the result of processes that make organizations more similar without necessarily making them more efficient through a process called Isomorphism (DiMaggio and Powell 1991).

• The effects of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment.

• Three types of pressure
  – Coercive
  – Mimetic
  – Normative
Deinstitutionalization

• “the process by which the legitimacy of an established or institutionalized organizational practice erodes or discontinues. Specifically, deinstitutionalization refers to the delegitimation of an established organizational practice or procedure as a result of organizational challenges to or the failure of organizations to reproduce previously legitimated or taken-for-granted organizational actions” (Oliver 1992)

• is “a process by which institutions weaken and disappear” (Scott, 2001)
Institutional entrepreneurship

• “the activities of actors who have interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Hardy et al. 2004 pp. 657).

• entrepreneurs are “those actors whom the responsibility for new or changed institutions is attributed” (Hardy and
Institutional Logic

• Institutional logics describes the contradictory practices and beliefs inherent in the institutions of society. “The way the social world works”
• Provides link: human agency and how institutions work
• Each logic has a central logic that guides its organizing principles and provides social actors with vocabularies of motives and a sense of self. They both enable and constrain both the means and ends of human behavior.
• For example, in modern western societies three contending institutional orders:
  – Capitalism
  – State bureaucracy
  – Political democracy
Theoretical assumptions

• Meta theory on how institutions, with underlying logics of action, shape heterogeneity, stability and change in individuals and organizations.

• Key theoretical assumptions:
  – Institutions have material & cultural characteristics
  – Embedded agency: Interests, identities, values and assumptions of individuals and organizations are embedded within prevailing institutional logics

• Society is inter-institutional: 3 analytical levels.
  – Individuals competing and negotiating
  – Organizations in conflict and coordination
  – Institutions in contradiction and interdependency
Contradictions

• Mechanism to explain change
• Source for contradictions
  • Arising out of different institutional logics
  • Arising out of different forces coming out from entities that comprise the organization field