3

Crafting an Analytic Framework I: Three Pillars of Institutions

❖ ❖ ❖

Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given, and transmitted by the past.

—Karl Marx (1852/1963: 15)

To an institutionalist, knowledge of what has gone before is vital information. The ideas and insights of our predecessors provide the context for current efforts and the platform on which we necessarily craft our own contributions. However, as should be clear even from my brief review, the concepts and arguments advanced by our predecessors have been strikingly diverse, resting on varied assumptions and privileging differing causal processes. A number of theorists have proposed that we can clarify the arguments by boiling them down to a few dominant paradigms (see, e.g., Campbell, 2004; Hall and Taylor, 1996). However, as Campbell observes, these "schools" exhibit as many

similarities as differences. Hence, my own approach to bringing some order into the discussion is to propose a broad definition of institutions that can encompass a variety of arguments, and then attempt to identify the key analytic elements that give rise to the most important differences observed and debates encountered. This chapter and the next identify and elucidate the three analytical elements that comprise institutions. Each element is important, and sometimes one or another will dominate, but more often—particularly in robust institutional frameworks—they work in combination. But because each operates through distinctive mechanisms and sets in motion disparate processes, I emphasize their differences in my initial discussion.

After introducing the principal distinctions around which the analysis will be conducted, I bravely but briefly consider their philosophical underpinnings. Varying conceptions of institutions call up somewhat different views of the nature of social reality and social order. Similarly, the institutional elements relate to disparate constructs of how actors make choices, the extent to which actors are rational, and what is meant by rationality. These issues, while too complex to fully explore, are too important to ignore.

The companion chapter, Chapter 4, completes the presentation of the analytical framework and associated issues. It begins by examining what types of institutional beliefs support the development of organizations. I then describe the concept of *structuration,* which can assist us in the effort to reconcile institutional constraints with individual agency. Finally, I identify the multiple levels at which institutional analysis takes place. It is important to recognize that even if an investigation focuses on a particular level, institutional forces operating at other levels—both "above" and "beneath" the level selected—will be at work.

Chapters 3 and 4 should be taken as a prolegomenon to the more problem-focused, empirically based discussions in the chapters to follow. They introduce concepts and definitions that will be employed to examine particular topics as well as preview controversies and issues that will be encountered as we review, in Chapters 5 through 8, developments in institutional theory and research from the 1970s to the present.

❖   DEFINING INSTITUTIONS

Let us begin with the following omnibus conception of institutions:

> *Institutions comprise regulative, normative, and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life.*

This is a dense definition containing a number of ideas that we will unpack, describe, and elaborate in this chapter and the next. In this conception, institutions are multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources. Institutions exhibit distinctive properties: They are relatively resistant to change (Jepperson 1991). As Giddens (1984: 24) states, "Institutions by definition are the more enduring features of social life . . . giving 'solidity' [to social systems] across time and space." They can be transmitted across generations, maintained and reproduced (Zucker 1977). Institutions also undergo change over time.

Institutions exhibit stabilizing and meaning-making properties because of the processes set in motion by regulative, normative, and cultural-cognitive elements. These elements are the central building blocks of institutional structures, providing the elastic fibers that guide behavior and resist change. We examine the distinctive nature and contribution of each element in a subsequent section of this chapter.

Although symbolic systems—rules, norms, and cultural-cognitive beliefs—are central ingredients of institutions, the concept must also encompass associated behaviors and material resources. Although an institutional perspective gives heightened attention to the symbolic aspects of social life, we must also attend to the activities that produce, reproduce, and change them and to the resources that sustain them. Institutions are, in Hallett and Ventresca's (2006) useful metaphor, inhabited by people and their interactions. Rules, norms, and meanings arise in interaction, and they are preserved and modified by human behavior. To isolate meaning systems from their related behaviors is, as Geertz (1973) cautions, to commit the error of

> locking cultural analysis away from its proper object, the informal logic of actual life. . . . Behavior must be attended to, and with some exactness, because it is through the flow of behavior—or, more precisely, social action—that cultural forms find articulation. . . . Whatever, or wherever, symbol systems 'in their own terms' may be, we gain empirical access to them by inspecting events, not by arranging abstracted entities into unified patterns. (p. 17)

Similarly, for Berger and Luckmann (1967) institutions are "dead" if they are only represented in verbal designations and in physical objects. All such representations are bereft of subjective reality "unless they are ongoingly 'brought to life' in actual human conduct" (p. 75).

Sociological theorists Giddens (1979; 1984) and Sewell (1992) underline the importance of including resources—both material and human—in any conception of social structure so as to take into account asymmetries of power. Rules and norms, if they are to be effective, must be backed with sanctioning power, and cultural beliefs, or *schemas* in Sewell's terminology, to be viable, must relate to and are often embodied in resources. Conversely, those possessing power in the form of excess resources seek authorization and legitimation for its use. As Sewell observes, "Schemas not empowered or regenerated by resources would eventually be abandoned and forgotten, just as resources without cultural schemas to direct their use would eventually dissipate and decay" (p. 13)

The Giddens/Sewell formulation usefully stresses the duality of social structure, encompassing both idealist and material features of social life and highlighting their interdependence, an argument I elaborate in Chapter 4.

Most treatments of institutions emphasize their capacity to control and constrain behavior. Institutions impose restrictions by defining legal, moral, and cultural boundaries, distinguishing between acceptable and unacceptable behavior. But it is equally important to recognize that institutions also support and empower activities and actors. Institutions provide stimulus, guidelines, and resources for acting as well as prohibitions and constraints on action.

Although institutions function to provide stability and order, they themselves undergo change, both incremental and revolutionary. Thus, our subject must include not only institutions as a property or state of an existing social order, but also institutions as process, including the processes of institutionalization and deinstitutionalization (see Tolbert and Zucker, 1996). Scholars increasingly attend not only to how institutions arise and are maintained, but to how they undergo change. As we will see, much of the impetus for change occurs through endogenous processes, involving conflicts and contradictions between institutional elements, but institutions can also be destabilized by exogenous shocks, such as wars and financial crises.

Institutions ride on various conveyances and are instantiated in multiple media. These institutional *carriers* vary in the processes employed to transmit their messages. In addition, institutions operate at multiple *levels*—from the world system to interpersonal interaction. We examine these diverse carriers and levels in Chapter 4.

Important differences exist among the various schools of institutional scholars, as is apparent from our review of previous work in Chapters 1 and 2. In my view, the most consequential dispute centers on which institutional elements are accorded primacy.

❖ THE THREE PILLARS OF INSTITUTIONS

Regulative systems, normative systems, cultural-cognitive systems—each of these elements has been identified by one or another social theorist as *the* vital ingredient of institutions. The three elements form a continuum moving "from the conscious to the unconscious, from the legally enforced to the taken for granted" (Hoffman 1997: 36). One possible approach would be to view all of these facets as contributing, in interdependent and mutually reinforcing ways, to a powerful social framework—one that encapsulates and exhibits the celebrated strength and resilience of these structures. In such an integrated conception, institutions appear, as D'Andrade (1984: 98) observes, to be overdetermined systems: "overdetermined in the sense that social sanctions plus pressure for conformity, plus intrinsic direct reward, plus values, are all likely to act together to give a particular meaning system its directive force."

While such an inclusive model has its strengths, it also masks important differences between the elements. The definition knits together three somewhat divergent conceptions that need to be differentiated. Rather than pursuing the development of a more integrated conception,[1] I believe that more progress will be made at this juncture by distinguishing among the several component elements and identifying their different underlying assumptions, mechanisms and indicators.[2] By employing a more analytical approach to these arguments, we can separate out the important foundational processes that transect the domain.

Consider Table 3.1. The columns contain the three elements—three pillars—identified as making up or supporting institutions. The rows define some of the principal dimensions along which assumptions vary and arguments arise among theorists emphasizing one or another element. This table will serve as a guide as we consider each element.

The Regulative Pillar

In the broadest sense, all scholars underscore the regulative aspects of institutions: Institutions constrain and regularize behavior. Scholars more specifically associated with the regulatory pillar are distinguished by the prominence they give to explicit regulatory processes—rule-setting, monitoring, and sanctioning activities. In this conception, regulatory processes involve the capacity to establish rules, inspect others' conformity to them, and, as necessary, manipulate sanctions—rewards or punishments—in an attempt to influence future behavior.

Table 3.1 Three Pillars of Institutions

	Regulative	*Normative*	*Cultural-Cognitive*
Basis of compliance	Expedience	Social obligation	Taken-for-grantedness Shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules Laws Sanctions	Certification Accreditation	Common beliefs Shared logics of action Isomorphism
Affect	Fear Guilt/ Innocence	Shame/Honor	Certainty/Confusion
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Sanctioning processes may operate through diffuse, informal mechanisms, involving folkways such as shaming or shunning activities, or they may be highly formalized and assigned to specialized actors such as the police and courts. Political scientists examining international institutions point out that legalization—the formalization of rule systems—is a continuum whose values vary along three dimensions:

- *obligation*—the extent to which actors are bound to obey because their behavior is subject to scrutiny by external parties
- *precision*—the extent to which the rules unambiguously specify the required conduct
- *delegation*—the extent to which third parties have been granted authority to apply the rules and resolve disputes (Abbott, Keohane, Moravcsik, Slaughter, and Snidal 2001)

I suggest that regulatory systems are those that exhibit high values on each of these dimensions while normative systems, considered below, exhibit lower values on them.

Economists, including institutional economists, are particularly likely to view institutions as resting primarily on the regulatory pillar. A prominent institutional economist, Douglass North (1990), for example, features rule systems and enforcement mechanisms in his conceptualization:[3]

[Institutions] are perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules. . . . [T]he rules and informal codes are sometimes violated and punishment is enacted. Therefore, an essential part of the functioning of institutions is the costliness of ascertaining violations and the severity of punishment. (p. 4)

North's emphasis on the more formalized control systems may stem in part from the character of the customary objects studied by economists and rational choice political scientists. They are likely to focus attention on the behavior of individuals and firms in markets or on other competitive situations, such as politics, where contending interests are more common and, hence, explicit rules and referees more necessary to preserve order. These economists and political scientists view individuals and organizations that construct rule systems or conform to rules as pursuing their self-interests as behaving instrumentally and expediently. The primary mechanism of control involved, employing DiMaggio and Powell's (1983) typology, is that of *coercion.*

Although the concept of regulation conjures up visions of repression and constraint, many types of regulation enable and empower social actors and action, conferring licenses, special powers, and benefits to some types of actors. In general, regulatory processes within the private, market-based sector are more likely to rely on positive incentives (e.g., increased returns, profits); in their role vis-à-vis the private sector, public actors make greater use of negative sanctions (e.g., taxes, fines, incarceration). However, as we will see, public sector actors are capable of creating (constituting) social actors with broader, or more restricted, powers of acting.

Force, sanctions, and expedient responses are central ingredients of the regulatory pillar, but they are often tempered by the existence of rules that justify the use of force. When coercive power is both supported and constrained by rules, we move into the realm of *authority.* Power is institutionalized (Dornbusch and Scott 1975: Ch. 2; Weber 1924/1968).

Much work in economics emphasizes the costs of overseeing systems of regulation. Agency theory stresses the expense and difficulty entailed in accurately monitoring performances relevant to contracts, whether implicit or explicit, and in designing appropriate incentives (see Milgrom and Roberts 1992; Pratt and Zeckhauser 1985). Although in some situations agreements can be monitored and mutually enforced by the parties involved, in many circumstances it is necessary to vest

the enforcement machinery in a third party expected to behave in a neutral fashion. Economic historians view this as an important function of the state. Thus, North (1990) argues:

> Because ultimately a third party must always involve the state as a source of coercion, a theory of institutions also inevitably involves an analysis of the political structure of a society and the degree to which that political structure provides a framework of effective enforcement. (p. 64)

However, North (1990: 54) also calls attention to problems that can arise because "enforcement is undertaken by agents whose own utility functions influence outcomes"—that is, third parties who are not neutral. This possibility is stressed by many historical institutionalists, such as Skocpol (1985), who argue that the state develops its own interests and operates somewhat autonomously from other societal actors. In this and other ways, attention to the regulative aspects of institutions creates renewed interest in the role of the state: as rule maker, referee, and enforcer.

In an attempt to broaden the conception of law as a regulatory mechanism, law and society theorists insist that analysts should not conflate the coercive functions of law with its normative and cognitive dimensions. Rather than operating in an authoritative and exogenous manner, many laws are sufficiently controversial or ambiguous that they do not provide clear prescriptions for conduct. In such cases, law is better conceived as an occasion for sense-making and collective interpretation (Weick 1995), relying more on cognitive and normative than coercive elements for its effects (see Suchman and Edelman 1997; see also Chapter 6). In short, institutions supported by one pillar may, as time passes and circumstances change, be sustained by different pillars.

The institutional logic underlying the regulative pillar is an instrumental one: Individuals craft laws and rules that they believe will advance their interests, and individuals conform to laws and rules because they seek the attendant rewards or wish to avoid sanctions. Because of this logic, the regulative pillar is one around which rational choice scholars gather.

Empirical indicators of the development, extent, and province of regulatory institutions are to be found in evidence of the expansion of constitutions, laws, codes, rules, directives, regulations, and formal structures of control. For example, Tolbert and Zucker (1983) determine whether municipalities are mandated by state law to adopt civil service reforms, and Singh, Tucker, and House (1986) and Baum and Oliver

(1992) ascertain whether voluntary service organizations are registered by oversight agencies. Dobbin and Sutton (1998) examine financial allocations to enforcement agencies as an indicator of regulatory enforcement.

As noted in Chapter 2, symbolic systems relate not only to substance but also to affect; they stimulate not only interpretive but emotional reactions. D'Andrade (1984) has pointed out that meaning systems work in representational, constructive, and directive ways—providing cognitive guidance and direction—but also in evocative ways, creating feeling and emotions. Emotions are among the most important motivational elements in social life. Much recent research on brain activity and cognitive behavior stresses the interdependence of cognition and emotion. Long regarded as separate spheres related to distinctive parts of the brain, this dichotomization now appears grossly oversimplified and misleading (Dolan 2003; LeDoux 1996). Attention to emotion in social life by social scientists has largely been associated with ongoing work on identity (see Chapter 2) and on "institutional work" (Lawrence, Suddaby, and Leca 2009)—emphasizing the importance of agency in maintaining and changing institutions (see Chapter 4). Contradictions between institutional demands at the macro level are experienced as conflicting role demands at the individual level—identity conflicts that need to be resolved (Creed, Dejordy, and Lok, 2010; Seo and Creed 2002). Emotions operate to motivate actors to change institutions in which they have become disinvested or to defend institutions to which they are attached (Voronov and Vince 2012). Note that attention to the emotional dimensions of institutions privileges work at the micro (individual and interpersonal) levels of analysis.

Are their distinctive types of emotions engendered by encounters with the regulative organs of society? I think so and believe that the feelings induced may constitute an important component of the power of this element. To confront a system of rules backed by the machinery of enforcement is to experience, at one extreme, fear, dread, and guilt, or, at the other, relief, innocence and vindication. Powerful emotions indeed!

In sum, there is much to examine in understanding how regulative institutions function and how they interact with other institutional elements. Through the work of agency and game theorists at one end of the spectrum and law and society theorists at the other, we are reminded that laws do not spring from the head of Zeus nor norms from the collective soul of a people; rules must be interpreted and disputes resolved; incentives and sanctions must be designed and will have unintended effects; surveillance mechanisms are required but are

expensive and will prove to be fallible; and conformity is only one of many possible responses by those subject to regulative institutions.

A stable system of rules, whether formal or informal, backed by surveillance and sanctioning power affecting actors' interests that is accompanied by feelings of guilt or innocence constitutes one prevailing view of institutions.

The Normative Pillar

A second group of theorists views institutions as resting primarily on a normative pillar (again, see Table 3.1). Emphasis here is placed on normative rules that introduce a prescriptive, evaluative, and obligatory dimension into social life. Normative systems include both values and norms. *Values* are conceptions of the preferred or the desirable together with the construction of standards to which existing structures or behaviors can be compared and assessed. *Norms* specify how things should be done; they define legitimate means to pursue valued ends. Normative systems define goals or objectives (e.g., winning the game, making a profit) but also designate appropriate ways to pursue them (e.g., rules specifying how the game is to be played, conceptions of fair business practices) (Blake and Davis 1964).

Some values and norms are applicable to all members of the collectivity; others apply only to selected types of actors or positions. The latter give rise to *roles:* conceptions of appropriate goals and activities for particular individuals or specified social positions. These beliefs are not simply anticipations or predictions, but prescriptions—normative expectations—regarding how specified actors are supposed to behave. The expectations are held by other salient actors in the situation, and so are experienced by the focal actor as external pressures. Also, and to varying degrees, they become internalized by the actor. Roles can be formally constructed. For example, in an organizational context particular positions are defined to carry specified rights and responsibilities and to have varying access to material resources. Roles can also emerge informally as, over time through interaction, differentiated expectations develop to guide behavior (Blau and Scott 1962/2003: Chs. 1, 4). Normative systems are typically viewed as imposing constraints on social behavior, and so they do. But at the same time, they empower and enable social action. They confer rights as well as responsibilities, privileges as well as duties, licenses as well as mandates. In his essays on the professions, Hughes (1958) reminds us how much of the power and mystique associated with these types of roles comes from the license they are

given to engage in forbidden or fateful activities—conducting intimate physical examinations or sentencing individuals to prison or to death.

The normative conception of institutions was embraced by most early sociologists—from Durkheim and Cooley through Parsons and Selznick—perhaps because sociologists are more likely to examine those types of institutions, such as kinship groups, social classes, religious systems, communities, and voluntary associations, where common beliefs and values are more likely to exist. Moreover, it continues to guide and inform much contemporary work by sociologists and political scientists on organizations. For example, March and Olsen (1989) embrace a primarily normative conception of institutions:

> The proposition that organizations follow rules, that much of the behavior in an organization is specified by standard operating procedures, is a common one in the bureaucratic and organizational literature. . . . It can be extended to the institutions of politics. Much of the behavior we observe in political institutions reflects the routine way in which people do what they are supposed to do. (p. 21)

Although March and Olsen's (1989) conception of rules is quite broad, including cultural-cognitive as well as normative elements—"routines, procedures, conventions, roles, strategies, organizational forms, and technologies . . . beliefs, paradigms, codes, cultures, and knowledge" (p. 22)—their focus stresses the centrality of social obligations:

> To describe behavior as driven by rules is to see action as a matching of a situation to the demands of a position. Rules define relationships among roles in terms of what an incumbent of one role owes to incumbents of other roles. (p. 23)

In short, scholars associated with the normative pillar stress the importance of a logic of "appropriateness" vs. a logic of "instrumentality." The central imperative confronting actors is not "What choice is in my own best interests?" but rather, "Given this situation, and my role within it, what is the appropriate behavior for me to carry out?"

Empirical indicators of the existence and pervasiveness of normative institutions include accreditations and certifications by standard setting bodies such as professional associations (Casile and Davis-Blake, 2002; Ruef and Scott 1998).

As with regulative systems, confronting normative systems can also evoke strong feelings, but these are somewhat different from those

that accompany the violation of rules and laws. Feelings associated with the trespassing of norms include principally a sense of shame or disgrace, or for those who exhibit exemplary behavior, feelings of respect and honor. The conformity to or violation of norms typically involves a large measure of self-evaluation: heightened remorse or effects on self-respect. Such emotions provide powerful inducements to comply with prevailing norms.

Theorists embracing a normative conception of institutions emphasize the stabilizing influence of social beliefs and norms that are both internalized and imposed by others. For early normative theorists such as Parsons, shared norms and values were regarded as *the* basis of a stable social order. And as Stinchcombe (1997) has eloquently reaffirmed, institutions are widely viewed as having moral roots:

> The guts of institutions is that somebody somewhere really cares to hold an organization to the standards and is often paid to do that. Sometimes that somebody is inside the organization, maintaining its competence. Sometimes it is an accrediting body, sending out volunteers to see if there is really any algebra in the algebra course. And sometimes that somebody, or his or her commitment is lacking, in which case the center cannot hold, and mere anarchy is loosed upon the world. (p. 18)

Heclo (2008) also embraces a similar stance. Assuming what he terms an "inside-out" perspective on institutions—that is, viewing institutions from the standpoint of those participating in them—he affirms Selznick's (1957: 101) distinction "between strictly instrumental attachments needed to get a particular job done and the deeper commitments that express one's enduring loyalty to the purpose or purposes that lie behind doing the job in the first place." Heclo insists:

> Deeper than the agent/principal issues is the agent/principle perspective. It presupposes that as beings (which by existing we surely are) we humans are moral agents. That is to say, by virtue of being human, we experience our existence as partaking in questions of right and wrong. To say human life is to say morally-implicated life. (p. 79)

The Cultural-Cognitive Pillar

A third set of institutionalists, principally anthropologists like Geertz and Douglas and sociologists like Berger, DiMaggio, Goffman,

Meyer, Powell, and Scott stress the centrality of cultural-cognitive elements of institutions: the shared conceptions that constitute the nature of social reality and create the frames through which meaning is made (again, see Table 3.1). Attention to the cultural-cognitive dimension of institutions is the major distinguishing feature of neoinstitutionalism within sociology and organizational studies.

These institutionalists take seriously the cognitive dimensions of human existence: Mediating between the external world of stimuli and the response of the individual organism is a collection of internalized symbolic representations of the world. "In the cognitive paradigm, what a creature does is, in large part, a function of the creature's internal representation of its environment" (D'Andrade 1984: 88). Symbols—words, signs, gestures—have their effect by shaping the meanings we attribute to objects and activities. Meanings arise in interaction and are maintained and transformed as they are employed to make sense of the ongoing stream of happenings. Emphasizing the importance of symbols and meanings returns us to Max Weber's central premise. As noted in Chapter 1, Weber regarded action as social to the extent that the actor attaches meaning to the behavior. To understand or explain any action, the analyst must take into account not only the objective conditions but the actor's subjective interpretation of them. Extensive research by psychologists over the past three decades has shown that cognitive frames enter into the full range of information-processing activities, from determining what information will receive attention, how it will be in encoded, how it will be retained, retrieved, and organized into memory, to how it will be interpreted, thus affecting evaluations, judgments, predictions, and inferences. (For reviews, see Fiol 2002; Markus and Zajonc 1985; Mindl, Stubbart, and Porac 1996.)

As discussed in Chapter 2, the new cultural perspective focuses on the semiotic facets of culture, treating them not simply as subjective beliefs but also as symbolic systems viewed as objective and external to individual actors. Berger and Kellner (1981: 31) summarize: "Every human institution is, as it were, a sedimentation of meanings or, to vary the image, a crystallization of meanings in objective form." Our use of the hyphenated label *cognitive-cultural* emphasizes that internal interpretive processes are shaped by external cultural frameworks. As Douglas (1982: 12) proposes, we should "treat cultural categories as the cognitive containers in which social interests are defined and classified, argued, negotiated, and fought out." Or in Hofstede's (1991: 4) graphic metaphor, culture provides patterns of thinking, feeling, and acting: mental programs, or the "software of the mind."[4]

The stress in much of this work on cognition and interpretation points to important functions of the cultural-cognitive pillar but overlooks a dimension that is even more fundamental: its *constitutive* function. Symbolic processes, at their most basic level, work to construct social reality, to define the nature and properties of social actors and social actions. We postpone consideration of this function until the following section of this chapter, however, because it raises questions regarding the fundamental assumptions underlying social science research.

Cultural systems operate at multiple levels, from the shared definition of local situations, to the common frames and patterns of belief that comprise an organization's culture, to the organizing logics that structure organization fields, to the shared assumptions and ideologies that define preferred political and economic systems at national and transnational levels. These levels are not sealed but nested, so that broad cultural frameworks penetrate and shape individual beliefs on the one hand, and individual constructs can work to reconfigure far-flung belief systems on the other.

Of course, cultural elements vary in their degree of institutionalization—the extent of their linkage to other elements, the degree to which they are embodied in routines or organizing schema. When we talk about cognitive-cultural elements of institutions, we are calling attention to these more embedded cultural forms: "culture congealed in forms that require less by way of maintenance, ritual reinforcement, and symbolic elaboration than the softer (or more 'living') realms we usually think of as cultural" (Jepperson and Swidler 1994: 363).

Cultures are often conceived as unitary systems, internally consistent across groups and situations. But cultural conceptions frequently vary: Beliefs are held by some but not by others. Persons in the same situation can perceive the situation quite differently—in terms of both what is and what ought to be. Cultural beliefs vary and are frequently contested, particularly in times of social disorganization and change (see DiMaggio 1997; Martin 1992; 2002; Seo and Creed 2002; Swidler 1986).

For cultural-cognitive theorists, compliance occurs in many circumstances because other types of behavior are inconceivable; routines are followed because they are taken for granted as "the way we do these things." The prevailing logic employed to justify conformity is that of orthodoxy, the perceived correctness and soundness of the ideas underlying action.

Social roles are given a somewhat different interpretation by cultural than by normative theorists. Rather than stressing the force of

mutually reinforcing obligations, cultural-cognitive theorists point to the power of templates for particular types of actors and scripts for action (Shank and Abelson 1977). For Berger and Luckmann (1967), roles arise as common understandings develop that particular actions are associated with particular actors:[5]

> We can properly begin to speak of roles when this kind of typification occurs in the context of an objectified stock of knowledge common to a collectivity of actors. . . . Institutions are embodied in individual experience by means of roles. . . . The institution, with its assemblage of "programmed" actions, is like the unwritten libretto of a drama. The realization of the drama depends upon the reiterated performance of its prescribed roles by living actors. . . . Neither drama nor institution exist empirically apart from this recurrent realization. (pp. 73–75)

Differentiated roles can and do develop in localized contexts as repetitive patterns of action gradually become habitualized and objectified, but it is also important to recognize the operation of wider institutional frameworks that provide prefabricated organizing models and scripts (see Goffman 1974; 1983). Meyer and Rowan (1977) and DiMaggio and Powell (1983) emphasize the extent to which wider belief systems and cultural frames are imposed on or adopted by individual actors and organizations.

Much progress has been made in recent years in developing indicators of cultural-cognitive elements. For many years, investigators such as social anthropologists and ethnomethodologists relied on close, long-term observation of ongoing behavior from which they inferred underlying beliefs and assumptions (e.g., Turner 1974). Later, quantitative researchers employed survey methodologies to uncover shared attitudes and common values (e.g., Hofstede 1984). More recently, however, a "new archival research" approach has emerged in which scholars employ formal analytical methodologies such as content, semiotic, sequence, and network analysis to probe materials such as discourse in professional journals, trade publications, organizational documents, directories, annual reports, and specialized or mainstream media accounts. This type of research has flourished due to the widespread availability of computer-analyzable documents. The best of this work illuminates "relevant features of shared understandings, professional ideologies, cognitive frames or sets of collective meanings that condition how organizational actors interpret and respond to the world around them" (Ventresca and Mohr 2002: 819).

The affective dimension of this pillar is expressed in feelings from the positive affect of certitude and confidence on the one hand versus the negative feelings of confusion or disorientation on the other. Actors who align themselves with prevailing cultural beliefs are likely to feel competent and connected; those who are at odds are regarded as, at best, "clueless" or, at worst, "crazy."

A cultural-cognitive conception of institutions stresses the central role played by the socially mediated construction of a common framework of meanings.

A Fourth Pillar? Habitual Dispositions

In a thoughtful essay, Gronow (2008) has proposed a fourth element, which he argues constitutes yet another basis for institutions. Building on the work of the American pragmatists, including Dewey, James, and others who influenced the work of early economic theorists Veblen and Commons (see Chapter 1), Gronow suggests that we add *habitual actions* to our framework. He suggests that "habitual dispositions are related to actions that have been repeated in stable contexts and therefore require only a minimal amount of conscious thought to initiate and implement" (p. 362). Although habits can be relatively automatic, Gronow points out that pragmatists insisted habits are not mere dead routines, but can include and overlap with reason and conscious choice.

While I welcome the strengthening of connections between pragmatism and institutional arguments and agree that more attention needs to be given to activities and practices, habits and routines, I am not persuaded of the need to add a fourth pillar to the conceptual framework. Shared dispositions are fundamentally cultural-cognitive elements closely tied to repetitive behavior. Like other such elements, they can be only semiconscious and taken for granted by the actors. Moreover, I take into account the important role of activities and routines by treating them as of one of the major carriers of institutional elements (see Chapter 4).

Combinations of Elements

Having introduced the three basic elements and emphasized their distinctive features and modes of working, it is important to restate the truth that in most empirically observed institutional forms, we observe not one, single element at work but varying combinations of elements. In stable social systems, we observe practices that persist

and are reinforced because they are taken for granted, normatively endorsed, and backed by authorized powers. When the pillars are aligned, the strength of their combined forces can be formidable.

In some situations, however, one or another pillar will operate virtually alone in supporting the social order; and in many situations, a given pillar will assume primacy.

Equally important, the pillars may be misaligned: They may support and motivate differing choices and behaviors. As Strang and Sine (2002: 499) point out, "Where cognitive, normative, and regulative supports are not well aligned, they provide resources that different actors can employ for different ends." Such situations exhibit both confusion and conflict, and provide conditions that are highly likely to give rise to institutional change (Dacin, Goodstein, and Scott 2002; Kraatz and Block 2008). These arguments are pursued, illustrated, and empirically tested in subsequent chapters.

❖ THE THREE PILLARS AND LEGITIMACY

"Organizations require more than material resources and technical information if they are to survive and thrive in their social environments. They also need social acceptability and credibility" (Scott, Ruef, Mendel, and Caronna 2000: 237)—in short, they require legitimacy. Suchman (1995b: 574) provides a helpful definition of this central concept: "*Legitimacy* is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Legitimacy is a generalized rather than an event-specific evaluation and is "possessed objectively, yet created subjectively" (Suchman 1995b: 574). The "socially constructed systems" to which Suchman refers are, of course, institutional frameworks.

Max Weber was the first great social theorist to stress the importance of legitimacy. In his formulation of types of social action, he gave particular attention to those actions guided by a belief in the existence of a legitimate order: a set of "determinable maxims," a model regarded by the actor as "in some way obligatory or exemplary for him" (Weber 1924/1968, Vol. 1: 31). In his empirical/historical work, he applied his approach to the legitimation of power structures, both corporate and governmental, arguing that power becomes legitimated as authority to the extent that its exercise is supported by prevailing social norms, whether traditional, charismatic, or rational-legal (see Deephouse and Suchman 2008; Dornbusch and Scott 1975: Ch. 2; Ruef

and Scott 1998). In his cultural-institutional perspective, Parsons (1956/1960b) broadened the focus of legitimation to include the goals of an organization, determining the extent to which they were congruent with the values extant in the society. And as we have seen, these arguments have been advanced and amplified by neoinstitutionalists, such as Berger and Luckmann (1967), Meyer and Rowan (1977), and Meyer and Scott (1983b) to include the legitimation of strategies, structures, and procedures.

In a resource-dependence or social exchange approach to organizations, legitimacy is typically treated as simply another kind of resource that organizations extract from their institutional environment (e.g., Dowling and Pfeffer 1975; Suchman 1995b). Scholars emphasizing the regulative pillar share, at least to some extent, this interpretation as they stress the benefits or costs of compliance. However, from a strong institutional perspective, legitimacy is not a commodity to be possessed or exchanged but a condition reflecting perceived consonance with relevant rules and laws or normative values, or alignment with cultural-cognitive frameworks. Like some other invisible properties such as oxygen, the importance of legitimacy become immediately and painfully apparent only if lost, suggesting that it is not a specific resource, but a fundamental condition of social existence.

Berger and Luckmann (1967) describe legitimacy as evoking a "second order" of meaning. In their early stages, institutionalized activities develop as repeated patterns of behavior that evoke shared meanings among the participants. The legitimation of this order involves connecting it to wider cultural frames, norms, or rules. "Legitimation 'explains' the institutional order by ascribing cognitive validity to its objectified meanings. Legitimation justifies the institutional order by giving a normative dignity to its practical imperatives" (pp. 92–93). In a similar fashion, Johnson, Dowd, and Ridgway (2006) compare and contrast the social psychological and the organizational views of legitimacy to arrive at a four-stage process: innovation, local validation, diffusion, and general validation. That is, for new actions to be legitimated, they must be locally accepted, and once they are "construed as a valid social fact, [they are] adopted more readily by actors in other local contexts" (p. 60). As a result of successful diffusion, "the new social object acquires widespread acceptance, becoming part of society's shared culture" (p. 61).[6] And emphasizing the cultural-cognitive dimension, Meyer and I propose that "organizational legitimacy refers to the degree of cultural support for an organization" (Meyer and Scott 1983a: 201).

This vertical dimension entails the support of significant others: various types of authorities—cultural as well as political—empowered

to confer legitimacy. The reproduction of practices is supported by structures residing at multiple levels (Colyvas and Jonsson 2011). Who these authorities are varies from time to time and place to place but, in our time, agents of the state and professional and trade associations are often critical for organizations. Certification or accreditation by these bodies is frequently employed as a prime indicator of legitimacy (Dowling and Pfeffer 1975; Ruef and Scott 1998). In complex situations, individuals or organizations may be confronted by competing sovereigns. Actors confronting conflicting normative requirements and standards typically find it difficult to take action since conformity to one undermines the normative support of other bodies. "The legitimacy of a given organization is negatively affected by the number of different authorities sovereign over it and by the diversity or inconsistency of their accounts of how it is to function" (Meyer and Scott 1983a: 202).

There is always the question as to whose assessments count in determining the legitimacy of a set of arrangements. Many structures persist and spread because they are regarded as appropriate by entrenched authorities, even though their legitimacy is challenged by other, less powerful constituencies. Martin (1994), for example, notes that salary inequities between men and women are institutionalized in American society even though the disadvantaged groups perceive them to be unjust and press for reforms. "Legitimate" structures may, at the same time, be contested structures.

Stinchcombe (1968) asserts that, in the end, whose values define legitimacy is a matter of concerted social power:

> A power is legitimate to the degree that, by virtue of the doctrines and norms by which it is justified, the power-holder can call upon sufficient other centers of power, as reserves in case of need, to make his power effective. (p. 162)

It is important, however, to point out that power is not always a top-down process, but can involve bottom-up phenomena. Power, for example, can be *authorized* by superordinate parties (Stinchcombe 1968) or *endorsed* by those subject to the power-wielder (Dornbusch and Scott 1975; Zelditch and Walker 1984) who collectively enforce norms supporting compliance. Power can arise out of the mobilization of subordinate groups as they attempt to advance their own values and interests.

While power certainly matters, in supporting legitimacy processes as in other social activities, power is not the absolute arbiter. Entrenched power is, in the long run, hapless against the onslaught of opposing power allied with more persuasive ideas or stronger commitments.

Consistent with the preceding discussion, each of the three pillars provides a basis of legitimacy, albeit a different one (see Table 3.1).[7] The regulatory emphasis is on conformity to rules: Legitimate organizations are those established by and operating in accordance with relevant legal or quasi-legal requirements. A normative conception stresses a deeper, moral base for assessing legitimacy. Normative controls are much more likely to be internalized than are regulative controls, and the incentives for conformity are hence likely to include intrinsic as well as extrinsic rewards. A cultural-cognitive view points to the legitimacy that comes from conforming to a common definition of the situation, frame of reference, or a recognizable role (for individuals) or structural template (for organizations). To adopt an orthodox structure or identity in order to relate to a specific situation is to seek the legitimacy that comes from cognitive consistency. The cultural-cognitive mode is the deepest level since it rests on preconscious, taken-for-granted understandings.

The bases of legitimacy associated with the three elements, and hence the types of indicators employed, are decidedly different and may be in conflict. A regulative view would ascertain whether the organization is legally established and whether it is acting in accord with relevant laws and regulations. A normative orientation, stressing moral obligations, may countenance actions departing from mere legal requirements. Many professionals adhere to normative standards that motivate them to depart from the rule-based requirements of bureaucratic organizations. And whistle-blowers claim that they are acting on the basis of a "higher authority" when they contest organizational rules or the orders of superiors. An organization such as the Mafia may be widely recognized, signifying that it exhibits a culturally constituted mode of organizing to achieve specified ends, and it is regarded as a legitimate way of organizing by its members. Nevertheless, it is treated as an illegal form by police and other regulative bodies, and it lacks the normative endorsement of most citizens.

What is taken as evidence of legitimacy varies by which elements of institutions are privileged.

❖ BASIC ASSUMPTIONS ASSOCIATED WITH
   THE THREE PILLARS

Although the differences among analysts emphasizing one or another element are partly a matter of substantive focus, they are also associated with more profound differences in underlying philosophical

assumptions. While it is not possible to do full justice to the complexity and subtlety of these issues, I attempt to depict the differences in broad outline. Two matters are particularly significant: (1) differences among analysts in their ontological assumptions—assumptions concerning the nature of social reality; and (2) differences involving the extent and type of rationality invoked in explaining behavior.

Regulative and Constitutive Rules

Truth and Reality

Varying ontological assumptions underlie conceptions of institutional elements. Thus, it is necessary to clarify one's epistemological assumptions: How do we understand the nature of scientific knowledge? My position on these debates has been greatly influenced by the formulation advanced by Jeffrey C. Alexander (1983, Vol. 1), who provides a broad, synthetic examination of the nature and development of theoretical logic in modern sociological thought. Following Kuhn (1970), Alexander adopts a *postpositivist* perspective viewing science as operating along a continuum stretching from the empirical environment on the one hand to the metaphysical environment on the other (see Figure 3.1).

At the metaphysical end reside the most abstract general presuppositions and models associated with more theoretical activity. At the empirical end, one finds observations, measures, and propositions. The continuum obviously incorporates numerous types of statements, ranging from the more abstract and general to the more specific and particular. But, more important, the framework emphasizes that, although the

Figure 3.1   The Scientific Continuum and Its Components
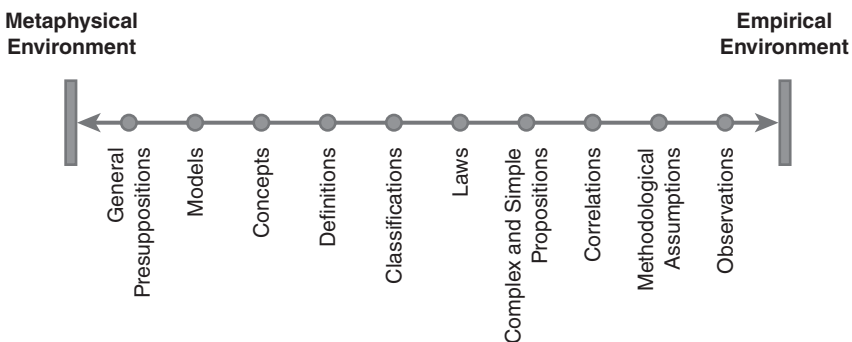
SOURCE: © Jeffrey Alexander. Used with permission.

mix of empirical and metaphysical elements varies, *every point on the continuum is an admixture of both elements.* "What appears, concretely, to be a difference in types of scientific statements—models, definitions, propositions—simply reflects the different emphasis within a given statement on generality or specificity" (Alexander 1983, Vol. 1: 4).

The postpostivist conception of science emphasizes the fundamental similarity of the social and physical sciences—both are human attempts to develop and test general statements about the behavior of the empirical world. It rejects both a radical materialist view that espouses that the only reality is a physical one, and also the idealist (and postmodernist) view that the only reality exists in the human mind. It also usefully differentiates reality from truth, as Rorty (1989) observes:

> We need to make a distinction between the claim that the world is out there and the claim that truth is out there. To say that the world is out there, that it is not our creation, is to say, with common sense, that most things in space and time are the effects of causes which do not include human mental states. To say that truth is not out there is simply to say that where there are no sentences there is no truth, that sentences are elements of human languages, and that human languages are human creations. (pp. 4–5)

Social Reality

Although the physical and social sciences share important basic features, it is essential to recognize that the subject matter of the social sciences is distinctive. In John Searle's (1995: 1, 11, 13) terminology, portions of the real world, while they are treated as "epistemically objective" facts in the world, "are facts only by human agreement." Their existence is "observer-relative": dependent on observers who share a common conception of a given social fact. Social reality is an important subclass of reality.[8]

Earlier in our discussion of cultural-cognitive elements, I introduced the concept of *constitutive* processes. Now we are in a position to develop this argument. Social institutions refer to types of social reality that involve the collective development and use of both regulative and constitutive rules. *Regulative rules* involve attempts to influence "antecedently existing activities"; *constitutive rules* "create the very possibility of certain activities" (Searle 1995: 27). Constitutive rules take the general form: *X* counts as *Y* in context *C*; for example, an American dollar bill counts as legal currency in the United States. "Institutional facts exist only within systems of constitutive rules" (p. 28). In general,

as the label implies, scholars embracing the regulative view of institutions focus primary attention on regulative rules; for example, they assume the existence of actors with a given set of interests and then ask how various rule systems, manipulating sanctions and incentives, can affect the behavior of these actors as they pursue their interests. Cultural-cognitive scholars stress the importance of constitutive rules: They ask what types of actors are present, how their interests are shaped by these definitions, and what types of actions they are allowed to take. They thus differ in their ontological assumptions or, at least, in the ontological level at which they work.

The anthropologist David Schneider (1976) usefully describes the relation of constitutive culture to social norms:

> Culture contrasts with norms in that norms are oriented to patterns *for action,* whereas culture constitutes a body of definitions, premises, statements, postulates, presumptions, propositions, and perceptions about the nature of the universe and man's place in it. Where norms tell the actor how to play the scene, culture tells the actor how the scene is set and what it all means. Where norms tell the actor how to behave in the presence of ghosts, gods, and human beings, culture tells the actor what ghosts, gods, and human being are and what they are all about. (pp. 202–203)

Constitutive rules operate at a deeper level of reality creation, involving the devising of categories and the construction of typifications: processes by which "concrete and subjectively unique experiences . . . are ongoingly subsumed under general orders of meaning that are both objectively and subjectively real" (Berger and Luckmann 1967: 39). Such processes are variously applied to things, to ideas, to events, and to actors, and are organized into hierarchical linked arrangements and elaborate systems for organizing meaning. Games provide a ready illustration. Constitutive rules construct the game of football as consisting of things such as gridiron and goal posts and events such as first downs and offsides (see D'Andrade 1984). Similarly, other types of constitutive rules result in the social construction of actors and associated capacities and roles: in the football context, the creation of quarterbacks, coaches, and referees. Regulative rules define how the ball may legitimately be advanced or what penalties are associated with what rule infractions. Thus, cultural-cognitive theorists amend and augment the portrait of institutions crafted by regulative theorists. Cultural-cognitive theorists insist that games involve more than rules and enforcement mechanisms: They consist of socially

constructed players endowed with differing capacities for action and parts to play. Constitutive rules construct the social objects and events to which regulative rules are applied.

Such processes, although most visible in games, are not limited to these relatively artificial situations. Constitutive rules are so basic to social structure, so fundamental to social life that they are often overlooked. In our liberal democracies, we take for granted that individual persons have interests and capacities for action. It seems natural that there are citizens with opinions and rights (as opposed to subjects with no or limited rights), students with a capacity to learn, fathers with rights and responsibilities, and employees with aptitudes and skills. But all of these types of actors—and a multitude of others—are social constructions; all depend for their existence on constitutive frameworks that, although they arose in particular interaction contexts, have become reified in cultural rules that can be imported as guidelines into new situations (see Berger and Luckmann 1967; Gergen and Davis 1985).

Moreover, recognition of the existence of such constitutive processes provides a view of social behavior that differs greatly from lay interpretations or even from those found in much of social science. As Meyer, Boli, and Thomas (1987) argue:

> Most social theory takes actors (from individuals to states) and their actions as real, a priori, elements. . . . [In contrast] we see the "existence" and characteristics of actors as socially constructed and highly problematic, and action as the enactment of broad institutional scripts rather than a matter of internally generated and autonomous choice, motivation and purpose. (p. 13)

In short, as constitutive rules are recognized, individual behavior is seen to often reflect external definitions rather than (or as a source of) internal intentions. The difference is nicely captured in the anecdote reported by Peter Hay (1993):

> Gertrude Lawrence and Noel Coward were starring in one of the latter's plays when the production was honored with a royal visit. As Queen Elizabeth entered the Royal Box, the entire audience rose to its feet. Miss Lawrence, watching from the wings, murmured: "What an entrance!" Noel Coward, peeking on tip-toe behind her, added "What a part!" (p. 70)

The social construction of actors also defines what they consider to be their interests. The stereotypic "economic man" that rests at the

heart of much economic theorizing is not a reflection of human nature, but a social construct that arose under specific historical circumstances and is maintained by particular institutional logics associated with the rise of capitalism (see Heilbroner 1985).[9] From the cultural-cognitive perspective, interests are not assumed to be natural or outside the scope of investigation; they are not treated as exogenous to the theoretical framework. Rather, they are recognized to be endogenous, arising within social situations, as varying by institutional context and as themselves requiring explanation.

The social construction of actors and their associated activities is not limited to persons. Collective actors are similarly constituted, and come in a wide variety of forms. We, naturally, will be particularly interested in the nature of those institutional processes at work in the constitution of organizations and organization fields, processes considered in later chapters.

In their critique of the pillars framework, Phillips and Malhotra (2008) argue that because the different elements operate at varying ontological levels, they cannot be combined into an integrated framework. They propose that "authentic" institutional analysis involves exclusive attention to the cultural-cognitive elements:

> The fact that coercive and normative mechanisms are externally managed by other actors makes them very different from the taken-for-grantedness of cognitive mechanisms. Where coercive and normative mechanisms result in strategic action and often resistance, cognitive mechanisms function by conditioning thinking. (p. 717)

But is this true? In a world of words, many of the most important strategies involve choices as to how to frame the situation, how to construct a powerful narrative, how to brand the product. In contested situations, some of the most effective weapons available to contenders involve how to define the actions, the actors, and their intent. Are we seeking "Black power" or "civil rights"?

Cultural-cognitive elements are amenable to strategic manipulation. They are also subject to deliberative processes under the control of regulative and normative agents. Thus, members of the legislature or the judicial branch can change the rights and powers of individual and collective actors. Recently, the U.S. Supreme Court determined that corporations have political rights allowing them to exercise freedom of speech, including unrestricted expenditure of funds for political action committees. And professional authorities regularly create

new institutions: new concepts, distinctions, and typologies that shape the types of measures we use; the kinds of data we collect; and the interpretations we make (Espeland and Sauder 2007; Scott 2008b).

In short, there are important differences among the pillars, as I have labored to explicate. I have attempted to construct what social theorist Charles Tilly (1984) defines as an *encompassing theoretical framework*, one that examines theories sharing broad objectives and attempts not simply to argue that they employ provide differing approaches, but to explicate the ways in which the approaches vary. I continue to believe that such a framework provides a fruitful guide for institutional analysis.

Rational and Reasonable Behavior

Theorists make different assumptions regarding how actors make choices: what logics determine social action. As discussed earlier and in Chapter 1, Weber defined social action so as to emphasize the importance of the meanings individuals attach to their own and others' behavior. For Weber and many other social theorists, "the central question that every social theory addresses in defining the nature of action is whether or not—or to what degree—action is rational" (Alexander 1983, Vol. 1: 72). A more basic question, however, is how is rationality to be defined? Social theorists propose a wide range of answers.

At one end of the spectrum, a neoclassical economic perspective embraces an *atomist* view that focuses on an individual actor engaged in maximizing his or her returns, guided by stable preferences and possessing complete knowledge of the possible alternatives and their consequences. This model has undergone substantial revision in recent decades, however, as over time economists have reluctantly acknowledged limitations on individual rationality identified by psychologists such as Tversky and Kahneman (1974), as described in Chapter 2. Validated by a Nobel Prize in economics (in 2002), this work has been incorporated into the mainstream as *behavioral economics*. Perhaps overstating the matter, a review of Kahneman's (2011) recent book concludes that his empirical investigations of human decision making "makes it plain that *Homo economicus*—the rational model of human behavior beloved of economists—is as fantastical as a unicorn" (*The Economist* 2011: 98). Nevertheless, this model, perhaps wearing a somewhat more modest cloak, continues to pervade much economic theorizing.

Embracing a somewhat broader set of assumptions, neoinstitutional analysts in economics and rational choice theorists in political science (e.g., Moe 1990a; Williamson, 1985) utilize Simon's (1945/1997: 88)

model of bounded rationality, which presumes that actors are "intendedly rational, but only boundedly so." These versions relax the assumptions regarding complete information and utility maximization as the criterion of choice, while retaining the premise that actors seek "to do the best they can to satisfy whatever their wants might be" (Abell, 1995: 7). Institutional theorists employing these and related models of individual rational actors are more likely to view institutions primarily as regulative frameworks. Actors construct institutions to deal with collective action problems—to regulate their own and others' behaviors—and they respond to institutions because the regulations are backed by incentives and sanctions. A strength of these models is that rational choice theorists have "an explicit theory of individual behavior in mind" when they examine motives for developing and consequences attendant to the formation of institutional structures (Peters 1999: 45; see also Abell 1995). Economic theorists argue that, while their assumptions may not be completely accurate, "many institutions and business practices are designed as if people were entirely motivated by narrow, selfish concerns and were quite clever and largely unprincipled in their pursuit of their goals" (Milgrom and Roberts 1992: 42).

From a sociological perspective, a limitation of employing an overly narrow rational framework is that it "portrays action as simply an adaptation to material conditions"—a calculus of costs and benefits—rather than allowing for the "internal subjective reference of action" that opens up potential for the "multidimensional alternation of freedom and constraint" (Alexander 1983, Vol. 1: 74). Another limitation involves the rigid distinction in rational choice models made between ends, which are presumed to be fixed, and means. Sociological models propose, variously, that ends are modified by means, that ends emerge in ongoing activities, and even that means can become ends (March and Olsen 1989; Selznick 1949; Weick 1969/1979). In addition, rather than positing a lone individual decision maker, the sociological version embraces an "organicist rather than an atomist view" such that "the essential characteristics of any element are seen as outcomes of relations with other entities" (Hodgson 1994: 61). Actors in interaction constitute social structures, which, in turn, constitute actors. The products of prior interactions—norms, rules, beliefs, resources—provide the situational elements that enter into individual decision making (see the discussion of structuration in Chapter 4).

A number of terms have been proposed for this broadened view of rationality. As usual, Weber anticipated much of the current debate by distinguishing among several variants of rationality, including *Zweckrationalität*—action that is rational in the instrumental, calculative

sense—and *Wertrationalität*—action that is inspired by and directed toward the realization of substantive values (Weber 1924/1968, Vol. 1: 24; see also Swedberg 1998: 36). The former focuses on means-ends connections; the latter on the types of ends pursued. Although Weber himself was inconsistent in his usage of these ideal types, Alexander suggests that they are best treated as analytic distinctions, with actual rational behavior being seen as involving an admixture of the two types. All social action involves some combination of calculation (in selection of means) and orientation toward socially defined values.[10]

A broader distinction has been proposed by March (1981), who differentiates between a logic of instrumentalism and a logic of "appropriateness" (see also March 1994; March and Olsen 1989), as noted earlier. An instrumental logic asks, "What are my interests in this situation?" An appropriateness logic stresses the normative pillar where choice is seen to be grounded in a social context and to be oriented by a moral framework that takes into account one's relations and obligations to others in the situation. This logic replaces, or sets limits on, individualistic instrumental behavior.

Cultural-cognitive theorists emphasize the extent to which behavior is informed and constrained by the ways in which knowledge is constructed and codified. Underlying all decisions and choices are socially constructed models, assumptions, and schemas. All decisions are admixtures of rational calculations and nonrational premises. At the micro-level, DiMaggio and Powell (1991) propose that a recognition of these conditions provides the basis for what they term a theory of *practical* action. This conception departs from a "preoccupation with the rational, calculative aspect of cognition to focus on preconscious processes and schema as they enter into routine, taken-for-granted behavior" (p. 22). At the same time, it eschews the individualistic, asocial assumptions associated with the narrow rational perspective to emphasize the extent to which individual choices are governed by normative rules and embedded in networks of mutual social obligations.

The institutional economist Richard Langlois (1986b) proposes that the model of an intendedly rational actor be supplemented by a model of the actor's situation, which includes, importantly, relevant social institutions. Institutions provide an informational-support function, serving as "interpersonal stores of coordinative knowledge" (p. 237). Such common conceptions enable the routine accomplishment of highly complex and interdependent tasks, often with a minimum of conscious deliberation or decision making. Analysts are enjoined to "pay attention to the existence of social institutions of various kinds as bounds to and definitions of the agent's situation" (p. 252). Langlois

encourages us to broaden the neoclassical conception of rational action to encompass what he terms "reasonable" action, a conception that allows actors to "prefer more to less [of] all things considered," but also that allows for "other kinds of reasonable action in certain situations" including rule-following behavior (p. 252). Social action is always grounded in social contexts that specify valued ends and appropriate means; action acquires its very reasonableness from taking into account these social rules and guidelines for behavior.

As briefly noted in our consideration of a fourth pillar, recent scholars have suggested that contemporary theorizing would be advanced by resurrecting and updating pragmatism, a theory promulgated during the late 19th and early 20th centuries by some of America's most ingenuous social philosophers and social scientists, including Oliver Wendell Holmes, William James, Charles Peirce, and John Dewey. Among their central tenants were that (1) "ideas are not 'out there,' waiting to be discovered, but are tools . . . that people devise to cope with the world in which they find themselves," and (2) that ideas are produced "not by individuals, but by groups of individuals—that ideas are social, . . . dependent . . . on their human carriers and the environment" (Menand 2001: xi). Indeed, as Strauss (1993) reminds us:

> In the writings of the Pragmatists we can see a constant battle against the separating, dichotomizing, or opposition of what Pragmatists argued should be joined together: knowledge and practice, environment and actor, biology and culture, means and ends, body and mind, matter and mind, object and subject, logic and inquiry, lay thought and scientific thought, necessity and chance, cognitive and noncognitive, art and science, values and action. (p. 72)

Ansell (2005) suggests that pragmatists favored a model of decision making that could be characterized as *practical reason*—recognizing that people make decisions in "situationally specific contexts," drawing on their past experiences, and influenced by their emotions as well as their reason.

❖ CONCLUDING COMMENT

While it is possible to combine the insights of economic, political, and sociological analysts into a single, complex, integrated model of an institution, I believe it is more useful at this point to recognize the differing assumptions and emphases that accompany the models

currently guiding inquiry into these phenomena. Three contrasting models of institutions are identified—the regulative, the normative, and the cultural-cognitive—although it is not possible to associate any of the disciplines uniquely with any of these proposed models. We find researchers in each discipline emphasizing one or another of the pillars. The models are differentiated such that each identifies a distinctive basis of compliance, mechanism of diffusion, type of logic, cluster of indicators, affective response, and foundation for legitimacy claims.

While at a superficial level it appears that social analysts are merely emphasizing one or another of the multiple facets of institutional arrangements, a closer examination suggests that the models are aligned with quite profound differences in the assumptions made about the nature of social reality and the ways in which actors make choices in social situations. Two sources of continuing controversy are identified. First, analysts disagree as to whether to attend primarily to regulative rules as helping to structure action among a given set of actors with established interests or to instead give primacy to constitutive rules that create distinctive types of actors and related modes of action. Second, institutions have become an important combat zone in the broader, ongoing disputation within the social sciences centering on the utility of rational choice theory for explaining human behavior. Are we to employ a more restricted, instrumental logic in accounting for the determinants and consequences of institutions, or is it preferable to posit a broader, more socially embedded logic? There is no sign of a quick or easy resolution to either of these debates.

❖ NOTES

1. Such an integrated model of institutions is elaborated in Scott (1994b).

2. Not all analysts share this belief. In a rather abrasive critique of an earlier presentation of this argument (*Institutions and Organizations,* 1st ed., 1995), Hirsch (1997: 1704) pointed out that my approach runs the risk of enforcing a "forced-choice" selection of one element as against another, rather than recognizing the reality that all institutional forms are composed of multiple elements. Such is not my intent. I willingly accede to the multiplex nature of institutional reality while insisting on the value of identifying analytic concepts, which, I believe, will aid us as we attempt to sort out the contending theories and interrelated processes. Far from wishing to "rule out" or "discourage interpillar communication" or to make the "cross-fertilization of ideas unusual and unlikely," as Hirsch (1997: 1709) alleged, my intent in constructing this analytic scheme is to encourage and inform such efforts.

3. In his most recent work, however, North (2005: Ch. 3) greatly expands his interest in and attention to cultural-cognitive facets of institutions.

4. Note the similarity of these conceptions to Bourdieu's concept of *habitus*, discussed in Chapter 2.

5. Schutz analyzes this process at length in his discussion of "the world of contemporaries as a structure of ideal types" (see Schutz 1932/1967: 176–207).

6. However, as discussed in Chapter 6, it is essential that we not conflate diffusion and institutionalization.

7. Related typologies of the varying bases of legitimacy have been developed by Stryker (1994; 2000) and Suchman (1995b).

8. Searle's framework is, hence, a moderate version of social constructionism. This more conservative stance is signaled by the title of his book, *The Construction of Social Reality* (1995), which differs markedly from the broader interpretation implied by the title of Berger and Luckmann's *The Social Construction of Reality* (1967).

9.   As succinctly phrased by the economic historian Shonfield (1965: 71): "Classical economics, which was largely a British invention, converted the British experience . . . into something very like the Platonic idea of capitalism."

10. Famously, Weber (1906–1924/1946: 280) captured this combination of ideas and interests in his "switchman" metaphor:

Not ideas, but material and ideal interests directly govern men's conduct. Yet very frequently the "world images" that have been created by "ideas" have, like switchmen, determined the tracks along which action has been pushed by the dynamics of interests.