Nano-Papers: Institution - Organization - Society[1]
Paper No. 5

Bringing value back in – Conceptualizing institutions

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Abstract:

Institutional theory has played a prominent role in theorizing organizations from the very start. Yet, what has been meant by "institutions" and the consequences of this definition for the analytical approach towards organizations have varied significantly. While value in terms of moral values, regulatory norms, and personal affection has been of particular importance to the "old" institutionalism, this focus has been rejected by the new institutionalism in favor of cognitive scripts of meaning. The paper focuses on bringing value back in, however, neither in terms of the "old" institutionalism nor does it reject the new institutionalist focus on meaning. Instead, the paper argues that value is besides practice and meaning another crucial dimension for understanding what institutions are about which becomes particularly important when conceptualizing institutional change.

Introduction

Institutional theory has played a prominent role in theorizing organizations from the very start. Yet, although institutions have become a prominent concept in organizational theory since the late 1940s (Scott 2008), what has been meant by "institutions" and the consequences of this definition for the analytical approach towards organizations have varied significantly. Interestingly, the question of value has played a crucial role in conceptualizing institutions, yet leading to a divide into the so-called "old" and new institutionalism. While value in terms of moral values, regulatory norms, and personal affection has been of particular importance to the "old" institutionalism, this focus has been rejected by the cognitive turn of the new institutionalism in favor of cognitive scripts of meaning.

In this paper, I will focus on bringing value back in. However, contrary to the "old" institutionalism, I will demonstrate that talking about value does not necessarily mean talking about moral values, regulatory norms, and personal affection. Yet, I will also not stop with the cognitive turn of the new institutionalism and its focus on meaning and rationalization. I will argue instead that institutions as cognitive scripts of routinized practices with taken-for-granted meaning also comprise a value dimension that relates an institution to a particular value order. I will thus argue that value is besides practice and meaning another crucial dimension for understanding what institutions are about which becomes important when conceptualizing institutional change.

Institutionalism in organizational theory

The sociological strand of organizational analysis has its origin in a commonly shared opposition towards the rational actor model (Powell & DiMaggio 1991: 8). Instead of understanding organizations as resulting from strategic action, the focus shifted from the strategically acting individual towards the role of culture in shaping organizations and thus towards the dependence of organizations on their environment (Scott 2004: 2). By stressing the influence of culture on organizations, the role of value(s) gained center stage bringing about the institutional perspective as a core concept within organizational theory.

The "old" institutionalism

The recognition of the "organization" not only as a frame for a particular kind of work and some industrial mode of production but rather as a distinct social entity is strongly related to the idea of institutions. Philip Selznick was among the first to describe organizations not simply in terms of efficiency and effectiveness. Instead, he stresses that organizations are specific social systems seeking to maintain "[t]he security of the organization as a whole in relation to social forces in its environment" as well as "[t]he

stability of informal relations within the organization" (Selznick 1948: 29). As the crucial problem for organizational integrity, Selznick finds that "the formal system, and the social structure within which it finds concrete existence, are alike subject to the pressure of an institutional environment to which some over-all adjustment must be made" (ibid.: 25).

Selznick transfers Parsons' idea of normative integration (1937) to his own theory of organization. However, he diverges from Parsons in his definition of institutions. In his idea, institutions are not only moral norms "which regulate (…) action in conformity with the common ultimate value-system of the community" (Parsons 1935: 299). Instead, organizational goals and procedures can become institutionalized themselves, as they "tend to achieve an established, value-impregnated status" (Selznick 1949: 257). To his understanding "'to institutionalize' is to infuse with value beyond the technical requirements of the task at hand" (Selznick 1984 [1957]: 17; italics original). Stable organizations cannot build solely on formal coordination and command. Instead, they stabilize and survive because of social integration that takes place when "[t]his infusion [with value] produces a distinct identity for the organization" (ibid.: 40). This value-based identity however also produces constraints – or "commitments" as Selznick calls it – that restrict action and the possibility of change because "[t]he acceptance of irreversible commitments is the process by which the character of an organization is set" (ibid.). The "embodiment of values in an organizational structure" (ibid.) forming the identity of an organization thus, on the one hand, contributes to its survival through social integration as organizational members can identify with it. On the other hand, it constrains managerial action because managers would risk a crisis of integrity if they attempted any change precisely because of the members' identification with it.

By emphasizing that also organizational beliefs and procedures can become infused with value, Selznick thus goes beyond Parsons' idea of institutions as value-infused norms: Organizations themselves can become institutions. He furthermore focuses less on a present state of institutionalized standards but rather on the process of institutionalization. Yet, similar to Parsons, Selznick also focuses on personal identification, however, not with social norms but with the organization that becomes "a valued source of personal satisfaction" (ibid.: 17). Selznick thus describes the institutionalization of organizations as a process of organizational identity formation that allows for social integration based on emotional identification by building on the infusion with value of organizational goals and procedures beyond technical requirements.

The new institutionalism

New directions in institutionalist organizational theory have embraced the idea of institutionalized practices within organizations

that follow from other criteria than technical efficiency. However, at the same time, they have also criticized (1) the limitation of culture in terms of institutions to social norms and value-infused standards and (2) the treatment of values and norms as internalized elements of individuals or organizations. Referring to the new sociology of knowledge and ethnomethodology with its roots in symbolic interactionism and phenomenology (Powell & DiMaggio 1991; Scott 2008), a cognitive turn took place that declared institutions neither as being limited to internalized norms resulting from an ultimate value-system nor as depending on personal affection.

Instead, the new institutionalism understands institutions as external to individuals or organizations defining it as „taken-for-grated scripts, rules, and classifications [that] are the stuff of which institutions are made. Rather than concrete organizations eliciting affective commitment, institutions are macrolevel abstractions" (Powell & DiMaggio 1991: 15). Instead of social norms and personal affection, the cognitive turn emphasizes shared knowledge that not only influences action but furthermore constitutes what is perceived as reality (Meyer & Rowan 1977; Zucker 1977).

However, within the new institutionalism, it is far from commonly agreed upon how to actually define institutions. Different authors have sought to clarify this apparently crucial conceptual element of institutionalist organizational theory. First of all, Meyer and Rowan have proposed a crucial departure from the "old" institutionalism and their concept of institutions in two significant ways. First, they shift the focus from the single organization, which Selznick had focused on, to a plurality of organizations that act in similar ways. Meyer and Rowan find that organizations attend to the same institutionalized rules. They "dramatically reflect the myths of their institutional environment" (Meyer & Rowan 1977: 341). Second, they argue that "[i]nstitutions inevitably involve normative obligations but often enter into social life primarily as facts which must be taken into account by actors" (ibid.). Instead of norms, Meyer and Rowan highlight "myths" that are "beyond the discretion of any individual participant or organization" (ibid.: 344). Myths in terms of "rationalized institutional structures" (ibid.: 345) are perceived as objective facts instead of as normative obligations. They are collectively taken for granted. Meyer and Rowan thereby draw on Berger and Luckmann's idea of reciprocal typification instead of on Parsons' concept of normative internalization and integration. The adherence to such myths is thus not a normative endeavor but rather an act of rationality. The compliance with rationalized myths becomes the dominant source of orientation rather than a system of morally oriented sanctions. Orientation towards institutions is thus not a question of sanctioning but of rationality. Making oneself understood by others as part of a particular group implies to comply with collectively shared myths as cognitive scripts and not with morally grounded norms.

Yet, the reference to norms as a crucial force behind the formation of organizational structure is not completely absent from new institutionalism. One of the three prominent mechanisms of isomorphism that were discussed by DiMaggio and Powell is "normative pressures". However, although they refer to Selznick's idea of "infusion of value beyond technical requirements" (DiMaggio & Powell 1983: 148), their understanding of "normative pressures" does not refer to any value dimension and personal affection but highlights instead a process of professional standardization.

In his definition of institutions, Jepperson proceeds even one step further. He does so in two distinct ways that demonstrate a yet much more broadened understanding of what institutions are about. First, he argues that institutions are not necessarily formal organizational procedures because "[w]e have good reason to consider voting and marriage to be institutions" (Jepperson 1991: 149). Instead he defines institutions as "a social pattern that reveals a particular reproduction process" (ibid.: 145). He furthermore adds that institutions are "those standardized activity sequences that have taken for granted rationales, that is […] some common social 'account' of their existence and purpose" (ibid.: 147). Second, he rejects the notion of legitimacy as a property of institutions. Instead, he finds that the question of legitimacy is even opposed to the definition of an institution. Jepperson argues that for understanding the meaning of an institution it does not matter if something is regarded as legitimate or illegitimate: "Legitimacy might be an outcome of institutionalization, or it may contribute to it, but illegitimate elements can clearly become institutionalized (organized crime, political corruption, fraud, etc.)" (ibid.: 149). Institutions are thus routinely enacted practices that carry a particular meaning, however, without any particular attribution of value or tribute to it.

Bringing value back in

Friedland and Alford (1991) have also embraced the cognitive turn in organizational theory. At the same time they have sought to bring "society back in" to oppose "the radical retreat from society […] toward the instrumental, rational individual" (ibid.: 232). Yet, they do not focus on the opposition between rational and irrational but rather "between transrational orders" (ibid.: 235) that emerge from distinct institutions and their institutional logics. They define institutions as composed of practices in terms of "supraorganizational patterns of activity" and of meaning in terms of "symbolic systems through which they categorize that activity and infuse it with meaning" (Friedland & Alford 1991: 232). With this definition, they emphasize once more their departure from the "infusion of value" of the "old" institutionalism.

Their aim, however, is to bring institutional change back into institutionalist organizational theory as resulting from conflict about

contradictory meanings between different institutions and their institutional logics. Yet, how can conflict arise as a struggle over meaning if meaning is not attached to any valuation. Can we imagine politics without value? Friedland and Alford briefly note that institutions "generate […] that which is valued" (ibid.: 251), but they do not conceptually elaborate on this any further.

Friedland has recently followed up on Alford and his own first attempt on institutional logics. He highlights the problem that "[n]eoinstitutional theory […] offered us a cognitivism without politics, a politics without culture, or both without purpose" (Friedland 2014: 1). By drawing attention again to institutional logics, he thus attempts a "return […] to value, that element in the 'old' institutionalism from which the new institutionalism, so fearful of normative consensualism, sought to flee" (ibid.). Friedland grounds his return to value in the Aristotelian term of "substance" which he defines as "institutional 'objects' enacted and thereby valorized through practice, that is through the simple fact of their production or enactment" (Friedland et al. 2014: 334). Institutional substance is – in Friedland's terms – the metaphysically grounded value of institutional logics, which is constantly reproduced through institutional practices. These institutional practices represent "the visible face and the condition of possibility of institutional substances, and hence the source of their identity across time" (ibid.: 335). Moreover, he finds that, "reciprocally, the continuity of those practices depends […] on instituting and institutional failure on a metaphysical belief in the substance, as an actionable good" (ibid.). Institutional substance is thus at the same time valuated and valuating institutional practice.

Friedland therefore defines the role of value in institutionalist theory neither simply in a functionalist way as integrative norms nor as the affective attribution of value to goals and procedures by individuals. Instead, he characterizes value simultaneously as the valuation of practices and as practically enacted. He thus defines value as the crucial element of institutional practices. Value is sustained through practice but simultaneously it sustains practices by linking them to an "institutional deity" (Friedland 2013: 32), i.e. to a metaphysically grounded belief such as e.g. in property, love, or God.[2] Institutional practices are thus infused with value but they also express value. It is the value of an institutional practice that turns it into what it is.

To sum up, we can see that institutions cannot be defined as equivalent neither to norms nor to goals and procedures infused with value by individuals because such a definition would miss (1) that norms and such procedures are themselves nothing else but „taken-for-grated scripts, rules, and classifications" (Powell & DiMaggio 1991: 15, see also Meyer & Rowan 1977: 341) and (2) that they have a supra-individual and even supra-organizational existence. An institution is neither a normative imperative that needs to be followed while misbehaving is sanctioned nor does it only persist as long as people feel emotionally attached to it. However, this paper also departs from the cognitivist idea that institutions are only infused with collectively shared meaning. An institution cannot solely be defined through its attached meaning because enacting an institution always implies an expression of valuating certain beliefs (see Friedland 2013) which becomes apparent in the moment of conflict. Institutions need therefore also be characterized by a distinctive attribution of value. We can thus define institutions as routinized practices with a collectively shared meaning that are bound to a particular attribution of value.

Further directions: understanding institutional change

Yet, this valuation might differ as institutions are neither normatively agreed upon "best practices" that are stabilized through sanctions or individual affection nor simply cognitive facts. Institutional change has often been described as the deinstitutionalization of certain practices and beliefs (Dacin & Dacin 2008; DiMaggio 1988) or it has been framed as the rise of new taken for granted practices (Colyvas & Powell 2006). Such processes of (de-)legitimization (Greenwood et al. 2002) have been analyzed as the crucial mechanism behind institutional change. Yet, this perspective has only focused on the appearance of new institutions or on the disappearance of existing ones. The focus on value however enables us to see what this institutional change is about. As Friedland (2014) has argued in reference to Luc Boltanski and Laurent Thévenot's concept of orders of worth and their sociology of critical capacity (Boltanski & Thévenot 1999, 2006), conflicts are struggles over value attribution in situations of uncertainty. Such situations of conflict are thus not only moments of valuation but also of devaluation leading to a change in the attribution of value. Looking at these changes in attributing value to institutions thus helps to recognize much broader shifts in culture and power relations. The valuation of institutional practices gives insights into dominant beliefs in society. If we want to get a closer understanding of processes of institutional change we should therefore also consider the value dimension of institutions.

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[2] Friedland gives some examples. He writes: „Property is enacted through one's physical access to and transfer of all kinds of objects, God in the prayers for birth, death or healing, popular sovereignty through electoral votes, love through intimate sharing of voice, body and babies, knowledge in the experimental observation or abstract logical representations such as these." (Friedland 2013: 34)

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The Nano-Papers "Institution – Organization – Society" enable a pointed as well as profound examination of theoretical questions in the area of sociological Neo-Institutionalism. They thus serve both the exchange of theoretical ideas and the development of conceptual foundations. The goal of the short contributions is to present, critically examine and further develop theoretical concepts. The Nano-Papers, then, should not be understood as conclusive theoretical contributions, but rather as an invitation to exchange conceptual positions.

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