Toward a More Critical and “Powerful” Institutionalism

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While we agree with the spirit and much of the content of Munir’s critique of “institutional theory,” it is important to note at the outset that recent developments—especially the rise of the institutional logics perspective (Thornton, Ocasio, & Lounsbury, 2012)—provide new opportunities to embrace more critical traditions and notions of power and domination while also uncovering alternative possibilities for examining socioeconomic changes. Another caveat is that given the panoply of theoretical and empirical conversations that circulate under the banner of “institutional theory” (Greenwood, Oliver, Suddaby, & Anderson, 2008), it has become difficult to even understand what it is, so to levy a credible critique. Nonetheless, it is a reasonable concern that Institutional theory’s treatment of organizations and the world they operate in tends to equate power with legitimacy (Scott, 2013). Munir’s concern about its seeming indifference to serious problems related to power and inequality is important because institutional theory is such a powerful referent and reference in organizational scholarship.

Starting with the presumption that if they do not embody legitimacy, organizations cannot be powerful, institutional theory has not examined how they became powerful, or things they do to remain so (Hirsch, 1997). Instead, its studies emphasize the culture and symbols they reflect (always taken to be positive), which in turn reinforce their legitimacy. Charles Perrow criticized this focus on the style of how firms present themselves, rather than the substance of their actions, as early as 1985 in his review essay, “Overboard with Myth and Symbols.” In our 1997 essay, “Ending the Family Quarrel: Toward a Reconciliation of ‘Old’ and ‘New’ Institutionalism,” we also sought to expand new institutionalism’s scope to include political negotiations and social struggles as topics to examine (Hirsch & Lounsbury, 1997). Munir’s timely contribution shows how far institutional theory still remains from examining and raising important questions about serious moral and ethical problems that need to be widely understood and addressed.

Institutional theory’s social Darwinistic legitimation of whatever developments win, and the status quos that remain, is not simply an effort to “marginalize if not directly undermine” theoretical gains made by critical theorists. The body of work and scholars left out was much broader, including many who may never have thought of themselves as critical theorists. As Arthur Stinchcombe (1997) and others have noted, in its war on “old institutionalism,” “new” or “neo” institutionalists essentially rejected longstanding conceptions of “institutional” as the realm of politics, in which environments for organizations were negotiated. It also shifted attention to the sameness entailed by isomorphism, rather than the differences and variances among organizations’ strategies, tactics, and efforts to change them.

In addition to reducing action to style, institutional theory often fails to address the forms of resistance that individuals and organizations may put up to the limited menu of choices provided and social pressures to conform to them (cf. Lawrence, 2008; Oliver, 1991), although research at the interface of institutional theory and social movements has made some progress in bringing these issues to the fore (see Schneiberg & Lounsbury, 2008, for a review). It also avoids dealing with the pressures large firms may exert on their regulators and environments for rulings that enable them to crush competitors, overwork and underpay workers, and avoid taxes (Why do we not see the word “worker” in institutional theory papers?). That individuals and organizations have volition to mobilize actions against these is not addressed (or adequately considered) in the theory. Not only do they have volition to do so, but as Douglas North has pointed out, organizations and nations’ histories demonstrate how their responses to signals from dominant cultures vary significantly and are not isomorphic (Hirsch & Lounsbury, 1996).

We agree with Munir that institutional theory’s allergy to power, conflict, and morality has held back organizational studies. In fact, this indictment should not be limited to institutional theory, but is a problem with the field of organization studies more generally. Not only do we risk losing significance but also by avoiding controversial issues and seeing everything as too legitimate, the pages of our journals have become increasingly boring. Institutional theory’s lack of a critical perspective, and according legitimacy to the successful

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outcome of any conflict, places it in the ironic position of adopting the very functionalist and Panglossian views that Munir notes it criticized as the problem with economics. As this year’s Academy of Management theme emphasizes, wording matters. And as rising inequality, and terms like exploitation, ideology, class, worker, and hegemony disappear from use in institutional studies (replaced by consensus, empowerment, networks, and compliance), too many studies of issues involving conflict become clouded over and, as Munir aptly phrases it, “sanitized.” In addition, its more recent attention to organizations’ forms, and the categories into which they fit, have further displaced such consideration of victors’ behavior as how their goals got (or failed to get) accomplished, and if they were decoupled from aspects that may be immoral or illegal.

Thus, while we join hands with Munir and others who seek to redirect the field toward issues of power, resistance, and domination, we also believe that the opportunity to engage these issues, and bridge critical and institutional theories has never been greater. In particular, we believe that the institutional logics perspective (Thornton et al., 2012) is well positioned to facilitate such critical engagement. First, the foundation of this perspective (Friedland & Alford, 1991) was motivated by Marxist and related ideas in political sociology, offering a fresh and important critique of the then dominant form of institutional theory that focused attention on isomorphism in organizational fields (DiMaggio & Powell, 1983). Second, one of the core impetuses for the development of the perspective was to “bring society back into” institutional and organizational studies—to redirect scholarly attention toward broader moral issues related to inequality and stratification, as well as various institutional orders such as the family, state, religion, and community, not just firms and markets. Third, the institutional logics perspective has helped to redirect institutional research away from the study of isomorphic processes and toward understanding the sources and consequences of heterogeneity. Focusing on heterogeneity, the institutional logics perspective foregrounds issues of contestation and struggle so central to the social theory of Bourdieu and others. Fourth, institutional logics research aims to put values and morality—central to the “old institutionalism”—back on the institutional theory agenda.

Since Munir raised issues about the nature of institutional logics, it is important to emphasize that logics are neither “structures” nor “ideologies.” To the extent the notion of “structure” indicates some sort of stable macro formation that shapes actors in a top–down way, institutional logics are better understood as involving configurations of symbolic and material elements (e.g., beliefs and practices) whose effects can be understood via mechanisms that operate in both bottom–up and top–down ways (see especially Chapter 4 of Thornton et al., 2012). In addition, the role of actors and action is crucial in the institutional logics perspective (Lounsbury & Boxenbaum, 2013).

Institutional logics are not ideologies. Thornton, Ocasio, and Lounsbury (2012) emphasize that in contrast to historically rooted configurations of symbolic and material elements, ideology is a loaded term associated with the doctrine of materialism where some actors aim to consciously and strategically shape the thoughts and actions of a population to extract certain practical advantages. Said another way, ideology implies a relatively rigid and value-laden doctrine of thought, whereas the institutional logics perspective is a metatheoretical perspective for studying how individual and organizational actors are influenced by and create and modify elements of institutional logics—which conceivably changes values. Indeed, an institutional logics analysis may point out some of the social mechanisms by which ideologies become attached to particular social contexts. (Thornton et al., 2012, p. 5)

From a more critical lens, institutional logics may be understood in terms of Weber’s “systems of domination.” Unlike episodic forms of power like manipulation and coercion, domination is a systemic form of power that “shapes our very preferences, attitudes and political outlook” (Fleming & Spicer, 2007, p. 19; see also Fleming & Spicer, 2014; Lawrence, 2008). For instance, to the extent market logics associated with Neoliberalism have become so profoundly dominant in recent history, facilitating the recent financial crisis and Great Recession (Lounsbury & Hirsch, 2010), many of us may indeed feel imprisoned by a hegemonic system of domination. Lukes (2005) comments,

Is not the supreme and most insidious exercise of power to prevent people, to whatever degree, from having grievances by shaping their perceptions, cognitions and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative to it, or because they see it as natural and unchangeable? (p. 24)

The institutional logics perspective has particular value in directing attention toward how different systems of domination can be reconfigured and change, which we believe accords with critical theory focus on emancipatory possibilities. The recent financial crisis, for instance, provided a profound challenge to extant Neoliberal thought. As we noted (Lounsbury & Hirsch, 2010, pp. 5-6),

During the aftermath of the most recent debacle, Federal Reserve Chairman Alan Greenspan admitted, “Those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief.” (“Greenspan Concedes Error on Regulation,” 2008)

After the housing bubble burst in 2008, Greenspan acknowledged a “flaw in the model that I perceived is the critical functioning structure that defines how the world

However, what are the opportunities to actually transform or alter the nature of Capitalism? While Neoliberal institutions are remarkably resilient, Lounsbury and Tavakoly (2013) have highlighted how state logics have begun to challenge Neoliberal logics in the wake of the financial crisis. For instance, focusing on stock market mergers and acquisitions, they show how major stock market merger deals (NYSE-Euronext and Deutsche Boerse, London and Toronto stock exchanges, and the Australian and Singapore stock exchanges) have been blocked since the crisis. They highlight how state logics are harnessed to resist such deals, as well as to provide alternative rationales for different Capitalist beliefs and practices. For instance, Peter Gomez, Swiss Stock Exchange Chairman, stated,

To me, the top goal is not to bring as much money to the shareholders, but the top goal is to serve our country . . . We don’t have to really squeeze out every dollar, because we are more interested in the infrastructure for Switzerland. (Quoted in Lounsbury & Tavakoly, 2013, p. 6)

Of course, there are other important logics in play in the context of Capitalism. We see the importance of religious logics in the remarkable rise of Islamic banking throughout the world. While Islamic banking provides a particularly interesting and salient example of how different religious logics may reform Capitalist processes by, for instance, casting moral doubt on speculative activity, we wonder about how different religions more generally shape individual and organizational behavior in subtle and profound ways, and offer alternative possibilities for the structuring and operation of socioeconomic life (Tracey, 2012). We also wonder about how community logics embedded in cooperatives (Schneiberg, 2007), other virtual and geographically situated groups (Marquis, Lounsbury, & Greenwood, 2011), and social movements (Weber, Heinz, & DeSoucey, 2008) provide not only alternatives to Neoliberal Capitalism but also capacities to buffer groups from the most rapacious forms of Capitalism and to foster more humanistic approaches to inequality. A more critical institutional perspective will not only focalize attention on issues of power, domination, and inequality, but can also uncover alternative possibilities for change and reformation. We believe this provides an important new agenda that can unite organizational studies scholars of all stripes.

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