

## 4 UNDERSTANDING RADICAL ORGANIZATIONAL CHANGE: BRINGING TOGETHER THE OLD AND THE NEW INSTITUTIONALISM

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The complexity of political, regulatory, and technological changes confronting most organizations has made radical organizational change and adaptation a central research issue. This article sets out a framework for understanding organizational changes from the perspective of neo-institutional theory. The principal theoretical issue addressed in the article is the interaction of organizational context and organizational action. The article examines the processes by which individual organizations retain, adopt, and discard templates for organizing, given the institutionalized nature of organizational fields.

The complexity of political, regulatory, and technological changes confronting most organizations has made organizational change and adaptation a central research issue of the 1990s. The ability to cope with often dramatically altering contextual forces has become a key determinant of competitive advantage and organizational survival (D'Aveni, 1994). The purpose of this article is to set out a framework for understanding organizational change from the perspective of neo-institutional theory (Powell & DiMaggio, 1991). Institutional theory is used as a starting point because it represents one of the more robust sociological perspectives within organizational theory (Perrow, 1979), and it makes sense, as Dougherty pointed out, to "integrate some theoretical threads regarding the specific issue of transformation by building on already developed theories" (1994: 110). We use the term *neo-institutional* to capture the developments that have taken place over the past decade (Powell & DiMaggio, 1991).

In their review of the state of institutional theory, DiMaggio and Powell (1991: 13) distinguished between the old and the new institutionalism (cf. Table 1.1). In the old institutionalism, issues of influence, coalitions, and competing values were central, along with power and informal structures (Clark, 1960, 1972; Selznick, 1949, 1957). This focus contrasts with the new

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institutionalism with its emphasis on legitimacy, the embeddedness of organizational fields, and the centrality of classification, routines, scripts, and schema (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Scott (1987) suggested that institutional theory was at the stage of adolescence. Later, he saw considerable progress, namely: "I see convergent developments among the approaches of many analysts as they recognize the importance of meaning systems, symbolic elements, regulatory processes, and governance systems" (Scott, 1994: 78). It is this convergence around multiple themes, the coming together of the old and the new institutionalism that we label *neo-institutionalism*. The convergence that Scott (1994) wrote about involves all of the elements of the old and new institutional theory.

Institutional theory is not usually regarded as a theory of organizational change, but as usually an explanation of the similarity ("isomorphism") and stability of organizational arrangements in a given population or field of organizations. Ledford, Mohrman, Mohrman, and Lawler (1989: 8), for example, concluded that institutional theory offers not "much guidance regarding change." Buckho (1994: 90) observed that institutional pressures are "a powerful force" *against* transformational change. Here we present the opposite view, agreeing with Dougherty that the theory contains "an excellent basis" (1994: 108) for an account of change, first, by providing a convincing definition of radical (as opposed to convergent) change, and, second, by signaling the contextual dynamics that precipitate the need for organizational adaptation (Leblebici, Salancik, Copay, & King, 1993; Oliver, 1991). As formulated, however, neo-institutional theory is weak in analyzing the *internal* dynamics of organizational change. As a consequence, the theory is silent on why some organizations adopt radical change whereas others do not, despite experiencing the same institutional pressures. Nevertheless, neo-institutional theory contains insights and suggestions that, when elaborated, provide a model of change that links organizational context and intraorganizational dynamics.

In this article, then, the central purpose is to provide an explanation of both the incidence of radical change and of the extent to which such change is achieved through evolutionary or revolutionary pacing. The explanation has three themes. First, we establish that a major source of organizational resistance to change derives from the normative embeddedness of an organization within its institutional context. This statement is a central message of institutional theory. Second, we suggest that the incidence of radical change, and the pace by which such change occurs, will vary across institutional sectors because of differences in the structures of institutional sectors, in particular in the extents to which sectors are tightly coupled and insulated from ideas practiced in other sectors. Third, we propose that both the incidence of radical change and the pace by which such change occurs will vary *within* sectors because organizations vary in their internal organizational dynamics. In order to understand differences in organizational responses, organizations are conceptualized

as heterogeneous entities composed of functionally differentiated groups pursuing goals and promoting interests. How organizations "respond" to institutional prescriptions, in particular, whether they undergo radical change, and, if they do, how quickly, is a function of these internal dynamics.

By addressing the interplay of organizational context and organizational action, this article is consistent with recent developments in organization theory. The initial polarization of perspectives offered, on the one hand, by population ecologists, with their essential denial of radical organizational change and emphasis upon peremptory environmental determinism (e.g., Hannan & Freeman, 1989) and, on the other hand, by strategic choice theorists, with their emphasis upon the pivotal role of executive action (e.g., Child, 1972; Tichy, 1983; Tichy & Devanna, 1986) has given way to attention to the interaction of choice and context. Hrebiniak and Joyce (1985), Van de Ven and Poole (1988), Astley and Van de Ven (1983), Pettigrew (1987), and Wilson (1994) have lodged pleas for theoretical understanding of how contextual pressures are interpreted and acted upon by organizational actors. To date, however, existing accounts have "not been successful" (Van de Ven & Poole, 1988: 327). Ledford and colleagues (1989: 4) dismissively described them as "of limited help." Here we seek to provide a more complete account for understanding organizational interpretations of, and responses to, contextual pressures, by stressing the political dynamics of intraorganizational behavior and the normative embeddedness of organizations within their contexts.

It is beyond the scope of this article to summarize the extensive literature on organizational change, but it is important to establish two aspects of change of particular concern here: first, the difference between convergent and radical change and, second, the difference between revolutionary and evolutionary change. A distinction is frequently drawn between convergent and radical change (Greenwood & Hinings, 1988; Miller & Friessen, 1984; Mohrman, Mohrman, Ledford, Cummings, & Lawler, 1989; Nadler & Tushman, 1989; Nadler, Shaw, Walton & Associates, 1995; Tushman & Romanelli, 1985). Radical organizational change, or "frame bending" as it is sometimes evocatively known, involves the busting loose from an existing "orientation" (Johnson, 1987; Miller, 1982, 1990) and the transformation of the organization. Convergent change is fine tuning the existing orientation. It is radical, not convergent change in which we are interested.

Revolutionary and evolutionary change are defined by the scale and pace of upheaval and adjustment. Whereas evolutionary change occurs slowly and gradually, revolutionary change happens swiftly and affects virtually all parts of the organization simultaneously. Tushman and Romanelli's (1985) punctuated-equilibrium model describes revolutionary change. Pettigrew's (1985; 1987) model of continuity and change reflects the process of evolutionary change.

The remainder of the article is divided into two sections. We begin the following section by outlining the current contribution of institutional

theory to understanding change. We then develop a more complete account of intraorganizational dynamics and their interaction with contextual dynamics. In the final section, we draw attention to a number of key issues and discuss possible directions for research.

### INSTITUTIONAL THEORY AND CHANGE

Scott (1987: 493), in a seminal review of institutional theory, advised that "the beginning of wisdom in approaching institutional theory is to recognize that there is not one but several variants." At the outset, however, we begin by briefly reviewing three salient characteristics of what has become known as neo-institutional theory. The theory of change that can be derived from those characteristics is then elaborated.

#### The Impact of the Institutional Context

Institutional theorists declare that regularized organizational behaviors are the product of ideas, values, and beliefs that originate in the institutional context (Meyer & Rowan, 1977; Meyer, Scott, & Deal, 1983; Zucker, 1983). To survive, organizations must accommodate institutional expectations, even though these expectations may have little to do with technical notions of performance accomplishment (D'Aunno, Sutton, & Price, 1991; DiMaggio & Powell, 1991; Scott, 1987). For example, an accounting firm may be organized as a professional partnership, not because that form of governance has been analyzed and found to facilitate efficient and effective task performance, but because that form is defined as the appropriate way of organizing the conduct of accounting work. Institutional theory, in other words, shows how organizational behaviors are responses not solely to market pressures, but also to institutional pressures (e.g., pressures from regulatory agencies, such as the state and the professions, and pressures from general social expectations and the actions of leading organizations).

#### Templates of Organizing, Isomorphism, and Convergence

Institutional pressures lead organizations to adopt the same organizational form. That is, the institutional context provides "templates for organizing" (DiMaggio & Powell, 1991: 27). The idea of templates connects to the growing interest in "configurational" research (for a review, see Meyer, Tsui, & Hinings, 1993). Configurational researchers conceptualize organizations holistically, seeking to recognize archetypal patterns in the display of structures and systems (Drazin & Van de Ven, 1985; Mintzberg, 1983; Miller & Friesen, 1984). Greenwood and Hinings (1993), consistent with the neo-institutionalist emphasis upon values, suggested that the configuration or pattern of an organization's structures and systems is provided by underpinning ideas and values, that is, an interpretive scheme (Barley, 1986; Bartunek, 1983; Ranson, Hinings, & Greenwood, 1980).

Thinking of organizational arrangements in terms of templates or archetypes (Greenwood & Hinings, 1993) provides a robust definition of

radical and convergent change. Convergent change occurs within the parameters of an existing archetypal template. Radical change, in contrast, occurs when an organization moves from one template-in-use to another. That is, an accounting firm operating as a professional partnership may institute representative democracy in place of more broadly based democratic involvement in order to accommodate the exigencies of growth and large size. Such a change would be consistent with prevailing core ideas and values of the importance of clan rather than bureaucratic bases of authority (Ouchi, 1980), and it is convergent change. If, in contrast, a firm were to move from one template to another, the change would be radical, because it represents the breaking of the mold defined by an interpretive scheme. For example, if members of a professional partnership hired a nonaccountant as chief executive officer charged with formal responsibility for monitoring and evaluating senior professionals, there would be a discordant structure within the professional partnership and an indication of possible movement toward a new template (e.g., the "corporate" model). The new structures and responsibilities would not fit the clan orientation and would be more consistent with bureaucratic values.

Stressing ideas, beliefs, and values as the basis for identifying templates of structures and systems is not unique to institutional theory. The same idea is found in Miller's (1991: 8) "stable central themes," Blau and McKinley's (1979: 200) "work motifs," and Pettigrew's (1987: 658) "dominating beliefs or ideologies." It is also present in much of the culture literature. Institutional theorists are different because they stress ideational templates as originating outside of the organization and being relevant to a population of organizations within an organizational field. As a consequence, institutional theory draws attention to institutionally derived and created templates of organizing to which organizations converge, rather than to the uniqueness of individual organizational cultures. Organizational convergence, not uniqueness, is implied.

DiMaggio and Powell (1983, 1991b: 63) stressed the convergence of organizations by bluntly framing the question as "Why [is there] such startling homogeneity, not variation?" The same authors discussed the primary processes (coercive, mimetic, and normative) by which convergence might occur as organizations seek to become isomorphic with their contexts. Underlying DiMaggio and Powell's (1991a) analysis is that organizations conform to contextual expectations of appropriate organizational forms to gain legitimacy and increase their probability of survival.

The focus of neo-institutional theory is thus not upon the individual organization but upon a category or network of organizations. Even though much of the early empirical work (e.g., Meyer & Rowan, 1977) was based upon individual organizations, or case studies, neo-institutional theorists treat organizations as a population within an organizational field. These theorists stress that the institutional context is made up of vertically and

horizontally interlocking organizations<sup>1</sup> and that the pressures and prescriptions within these contexts apply to all of the relevant classes of organizations.

### Resistance to Change

According to early contributions to institutional theory, the organizational field and the templates of organizing within it become infused with a taken-for-granted quality, in which actors unwittingly accept the prevailing template as appropriate, right, and the proper way of doing things. DiMaggio and Powell (1983) and Fligstein (1985) noted that a template rationale for an individual organization may not be rational for large numbers of organizations. There is, in short, a normative tone to institutional discussions (Meyer & Rowan, 1977; Oliver, 1991; Zucker, 1977). For this reason, institutional theorists stress the stability of organizational arrangements and the characteristic of inertia rather than change (Tolbert, 1985; Tolbert & Zucker, 1983). Stressing inertia may be slightly misleading in that organizations constantly experience unfolding change. To the institutional school, however, the prevailing nature of change is one of constant reproduction and reinforcement of existing modes of thought and organization (i.e., change is convergent change).

By emphasizing archetypes/templates that originate in the institutional context and around which networks of organizations converge, institutional theorists actually show a likely dynamic of inertia, which can be illustrated from the accounting industry. The accounting profession mimicked the law (and the clergy) and adopted the partnership organizational form, which has endured and become almost synonymous with the very meaning of "professional," with its emphasis on independence, autonomy, and responsible conduct. Development of the profession during the 19th century and structuration of the accounting industry field followed much the same path as DiMaggio (1991) described for the museum profession. Thus, the values of the professional partnership became reinforced by professional associations that worked closely with universities and state agencies to promulgate and protect the self-regulating independence and autonomy of accounting firms. As a result, strong reciprocal exchanges have developed between the accounting field and any one accounting firm, such that the firm both accommodates the expectation of the field by observing appropriate behaviors and practices, and in doing so, acts as a role model within the field to other accounting firms. Thus, there are strong mimetic, normative, and coercive processes at work.

These mimetic, normative, and coercive processes are part of the institutional context. Such contexts differ in the strength of these kinds of

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<sup>1</sup> Scott and Meyer (1991: 108) referred to the institutional context as the *societal sector*, defined "to include all organizations within a society supplying a given type of product or service together with their associated organizational sectors: suppliers, financiers, regulators, and so forth.

pressures (i.e., the degree of embeddedness and in the extent to which change may occur because of deinstitutionalization (Oliver, 1992). Radical change is thus problematic not solely because of weak organizational learning (as emphasized by strategic choice theorists such as Kanter, 1983, and Johnson, 1987) or the constraints of strategy "commitments" (Ghemawat, 1991) or the difficulty of mobilizing internal support (as emphasized by Tichy, 1983, and Fombrun, 1992)—although these forces for inertia may and often do occur—but because of the normative embeddedness of an organization within its institutional context (Baum & Oliver, 1991). Also, the greater the embeddedness, the more problematic is the attainment of radical change. Indeed, Powell and DiMaggio (1991a) noted that the greater the extent to which organizations are tightly coupled to a prevailing archetypal template within a highly structured field, the greater the degree of instability in the face of external shocks. That is, the rigidity of tight coupling and high structuredness produces resistance to change; however, should institutional prescriptions change dramatically, the resultant organizational response would be revolutionary, not evolutionary (in terms of the scale and pace of upheaval and adjustment).

The above starting points may be summarized as follows:

*Hypothesis 1: Organizations are structured in terms of archetypes (templates of organizing), which are institutionally derived.*

*Hypothesis 2: Radical change (movement from one archetype to another) is problematic because of the normative embeddedness of an organization within its institutional context. Convergent change is the more normal occurrence.*

*Hypothesis 3: The greater the normative embeddedness of an organization within the institutional context, the more likely that when change occurs it will be revolutionary rather than evolutionary (i.e., the pace of upheaval will be fast, not gradual, and the scale large, not modest).*

### **The Possibility for Change**

Institutional theory, in summary, emphasizes convergence around institutionally prescribed templates. Indeed, Powell (1991a: 183) was particularly critical of such theory for its "static, constrained, and over-socialised views of organizations." DiMaggio and Powell (1991a: 29) asked the question, "If institutions exert such a powerful influence over the ways in which people can formulate their desires and work to attain them, then how does institutional change occur?" Three streams of work within institutional theory give insights into the possible processes and likelihood of radical change, and it is these streams that lead us to a neo-institutional perspective. Early contributions (e.g., Tolbert & Zucker, 1983) proposed a two-stage

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dissemination model of change. In the early (youthful) development of an organizational field, technical performance requirements are more important than in later (mature) stages of the field, at which point institutional pressures become more salient (Tolbert & Zucker, 1983; Baron, Dobbin, & Jennings, 1986). Subsequent authors have examined the "mechanisms of imitation" (Haunschild, 1993: 564), paying particular attention to the role of interlocking directorates (e.g., Davis, 1991; Davis & Powell, 1992; Haveman, 1993; Palmer, Jennings, & Zhou, 1993) or the object of imitation (e.g., Burns & Wholey, 1993; Galaskiewicz & Wasserman, 1989; Haveman, 1993; O'Reilly, Main, & Crystal, 1988).

A second line of development within institutional theory, which has implications for understanding change, considers the *structure* of the institutional context (i.e., the *extent of tight coupling* and the *extent of sectoral permeability*). Regarding tight coupling, sectors usually have been perceived as having clearly legitimated organizational templates and highly articulated mechanisms (the state, professional associations, regulatory agencies, and leading organizations) for transmitting those templates to organizations within the sector (Fligstein, 1991; Haveman, 1993; Hinings & Greenwood, 1988a; Kikulis, Slack, & Hinings, 1995; Tolbert, 1985; Wholey & Burns, 1993). Furthermore, much of this work has assumed ideological consensus within an institutional field. Tight coupling, in other words, refers to the existence of mechanisms for dissemination and the monitoring of compliance combined with a focused and consistent set of expectations.

In practice, there can be variation across institutional sectors in the degree of tight coupling. Carroll, Goodstein, and Gyenes (1988), for example, questioned the probability of ideological consensus. Fligstein (1991: 316) noted that the possibility of "innovative behavior" is higher in "ill-formed" organizational fields. Barnett and Carroll (1987) documented how during the founding years of the telephone industry, high political differentiation in the markets enabled several organizational forms to flourish (i.e., high political differentiation was associated with low institutional consensus over templates). DiMaggio and Powell (1991a), Scott (1991), Powell (1991), Oliver (1991), and D'Aunno and colleagues (1991) accepted that institutional fields may have multiple pressures providing inconsistent cues or signals, opening the possibility for idiosyncratic interpretation and either deliberate or unwitting variation in practices.

Mechanisms for dissemination also can vary across institutional fields. In mature sectors, such as accounting and law, there are very clear mechanisms, and thus normative, coercive, and mimetic pressures (for conformity) are high. In governmental sectors, too, regulatory pressures are usually clear and reinforced (Hinings & Greenwood, 1988b; Kikulis, Slack, & Hinings, 1995). In less well-developed sectors such as biotechnology, the existence of leading organizations is less clear and there is no developed network of regulatory agencies comparable to accounting bodies (Powell, 1993). As a consequence, there is no stipulated template for

organizing, and thus pressures for conformity are much less pronounced. Thus,

*Hypothesis 4: Radical change in tightly coupled institutional fields will be unusual, but when it occurs, it will be revolutionary.*

*Hypothesis 5: Radical change in loosely coupled fields will be more common (than in tightly coupled fields), and when it occurs it will be evolutionary.*

Institutional fields vary in their insulation from other fields. Some fields lack permeability (i.e., they are relatively closed to or not exposed to ideas from other institutional arenas). Other fields are more open and thus more likely to permit variation and change. Child and Smith (1987), for example, described the transfer of ideas that happen as contractors service firms in different industries. Similarly, members of accounting firms inevitably work in several fields (by consulting or by conducting audits) and become exposed to and potentially influenced by the ideas prevailing in those fields. Because of the tight coupling within the accounting industry, however, the influence of other fields traditionally has been limited (consistent with Hypothesis 4). Because of looming performance crises, however, members of accounting firms are beginning to consider other fields for possible solutions (e.g., the partnership form of governance is under review, *European Accounting Focus*, 1995). That is, permeable boundaries enable radical change because of the availability of new archetypal solutions. Thus,

*Hypothesis 6: Institutional fields that are impermeable will be associated with low rates of radical change.*

*Hypothesis 7: Radical change that occurs in impermeable institutional fields will be revolutionary in pace.*

*Hypothesis 8: Institutional fields that are permeable will be associated with a higher incidence of radical change than will occur in impermeable institutional fields.*

*Hypothesis 9: Institutional fields that are permeable will be associated with evolutionary change.*

These elaborations are significant because through them we admit to the possibility and even the likelihood of *alternative* templates within an institutional context.<sup>2</sup> In tightly structured contexts, the occurrence of such alternatives may be infrequent, and it may be dependent partly on a serious decline in performance (as in the law industry described by Cooper, Hinings, Greenwood, and Brown, in press, and in the municipal sector of the United Kingdom as described by Hinings and Greenwood,

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<sup>2</sup> In our model, we assume that "archetypes" exist within an institutional sector. As such, the model presented is of archetype diffusion, not archetype creation.

1988a) and partly on the permeability of the sector. In less tightly coupled contexts, the occurrence of alternative templates may be more frequent but less coherently formulated. The central point is that organizations are recipients of prescribed ideas about appropriate templates of organizing whose relative salience and clarity *may change over time*. Particular organizations do not respond to a template of organizing, but they do respond over time to evolving and competing prescriptions. This conclusion leads to two issues: how do individual organizations respond and why do they differ in their responses.<sup>3</sup>

### Intraorganizational Dynamics

In the old institutionalism (e.g., Selznick, 1949), issues of influence, coalitions, and competing values were central, and the emphasis was placed on the ways in which the formal, rational mission of an organization is diverted by the operation of group interests. Thus, the key forms of cognition are values, norms, and attitudes; conflicts of interest and vested interests are central; and the individual organization is the locus of institutionalization and the primary unit of analysis. Selznick (1957: 17) wrote of institutionalized organizations being "infused with value," becoming ends in themselves, and thus operating within essentially moral frames of reference.

Similarly, Clark (1960) emphasized that actual organizational practices diverge from expressed organizational goals. In further work, Clark (1972) showed how values may be "precarious." That is, newly appointed administrators attempted to signal shifts in values and expectations through changes in structures. However, the organizational implications of the new values and meanings were imperfectly understood, and it took a long time for the new values to be embodied in practice.

Brint and Karabel (1991: 344) related with the "old institutionalism" of Selznick (1949) and Clark (1960, 1972), building primarily "on the insights of the 'conflict' tradition in sociology, rather than on the insights of the Durkheimian tradition which have proven so fruitful for the new institutionalism." They also drew on the insights that Michels (1962) generated about the role of interests in organizations, which allow diversions to occur from original goals. As Brint and Karabel (1991: 352) observed, old institutionalism "emphasizes the details of an organization's interactions with its environment over time" and pays attention to the beliefs and actions of those who have the power to define directions and interests.

New institutionalism emphasizes the regulative, the normative, and the cognitive. In this case, rather than values and moral frames, it is

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<sup>3</sup> Our model and hypotheses are based on the existence of archetypes, so they are about the adoption of those archetypes by individual organizations, which for those organizations is radical, second-order change. Here we do not deal with the creation of archetypes within sectors. For a preliminary approach to this latter issue, see Hinings, Greenwood, Brown, and Cooper (In press).

cognition that is important. As Meyer and Rowan (1977: 341) put it, "normative obligations . . . enter into social life primarily as facts." The key units of analysis are organizations-in-sectors and their relation to societal institutions.

From the point of view of understanding change, the old institutionalism suggests that change is one of the dynamics of organizations as they struggle with differences of values and interests. The new institutionalism emphasizes persistence. Combining the two into neo-institutionalism gives the possibility of dealing with the question asked by DiMaggio and Powell (1991: 29): "If institutions exert such a powerful influence over the ways in which people can formulate their desires and work to attain them, then how does institutional change occur?"

Oliver (1992), building upon the work of Zucker (1987), began to provide a way of bringing these two perspectives together in her examination of the antecedents of deinstitutionalization. Oliver suggested (1992: 584) that "the persistence and longevity of institutionalized values and activities may be less common than the emphasis of institutional theory on cultural persistence and the diffusion of enduring change implies." Oliver (1992) introduced the notion of *dissipation*, a gradual deterioration in the acceptance and use of a particular institutionalized practice, which provided an overall conceptual framework for understanding that process. Her framework involves both environmental and organizational features that can produce deinstitutionalization. Among the organizational features are, *inter alia*, changing values, conflicting internal interests, and increasing social fragmentation.

Our aim is to bridge the old and the new institutionalisms by explaining the response of the individual organization to pressure in the institutional field as a function of the organization's internal dynamics. Oliver (1992) did this partly, but only in outline, and there is no expansion of how the characteristics of the organizational field *interact* with the internal characteristics of an organization. Also, Oliver emphasized how institutionalized practices break down and are replaced by new ones. Our aim is to understand both persistence and change. We do so by focusing upon four aspects of an organization's internal dynamics—interests, values, power dependencies, and capacity for action.

Given the institutionalized nature of organizational sectors, what are the processes by which individual organizations adopt legitimated templates and change them? DiMaggio and Powell (1991a: 27) suspected that "something has been lost in the shift from the old to the new institutionalism" and "the goal must be a sounder multidimensional theory, rather than a one-sidedly cognitive one." They go on to suggest that "power and interests have been slighted topics in institutional analysis" (1991a: 30). This line of thought leads to the conclusion that the role of intraorganizational dynamics in accepting or rejecting institutionalized practices is critical.

The framework for understanding organizational change that we wish to advance is summarized in Figure 1. The Figure encompasses exogenous (market context, institutional context) and endogenous dynamics (interests, values, power dependencies, and capacity for action).

One difficulty with representing a model of change dynamics in a diagram is that the representation itself is essentially cross-sectional and linear. In fact, radical organizational change, which is shown as the outcome of the model in Figure 1, would become the input to market and institutional contexts. For example, an organization that adopted a new organizational form and achieved competitive success in the marketplace would produce pressures on other organizations to adopt the same organizational form. Organizations, as Fligstein (1991: 316) noted, "extensively monitor one another," and successful practices are mimicked and institutionalized.

Exogenous variables have been discussed previously. In order to elaborate the model, first, we summarize the endogeneous components of the framework that act as precipitating dynamics and, second, we summarize those that are enabling dynamics.

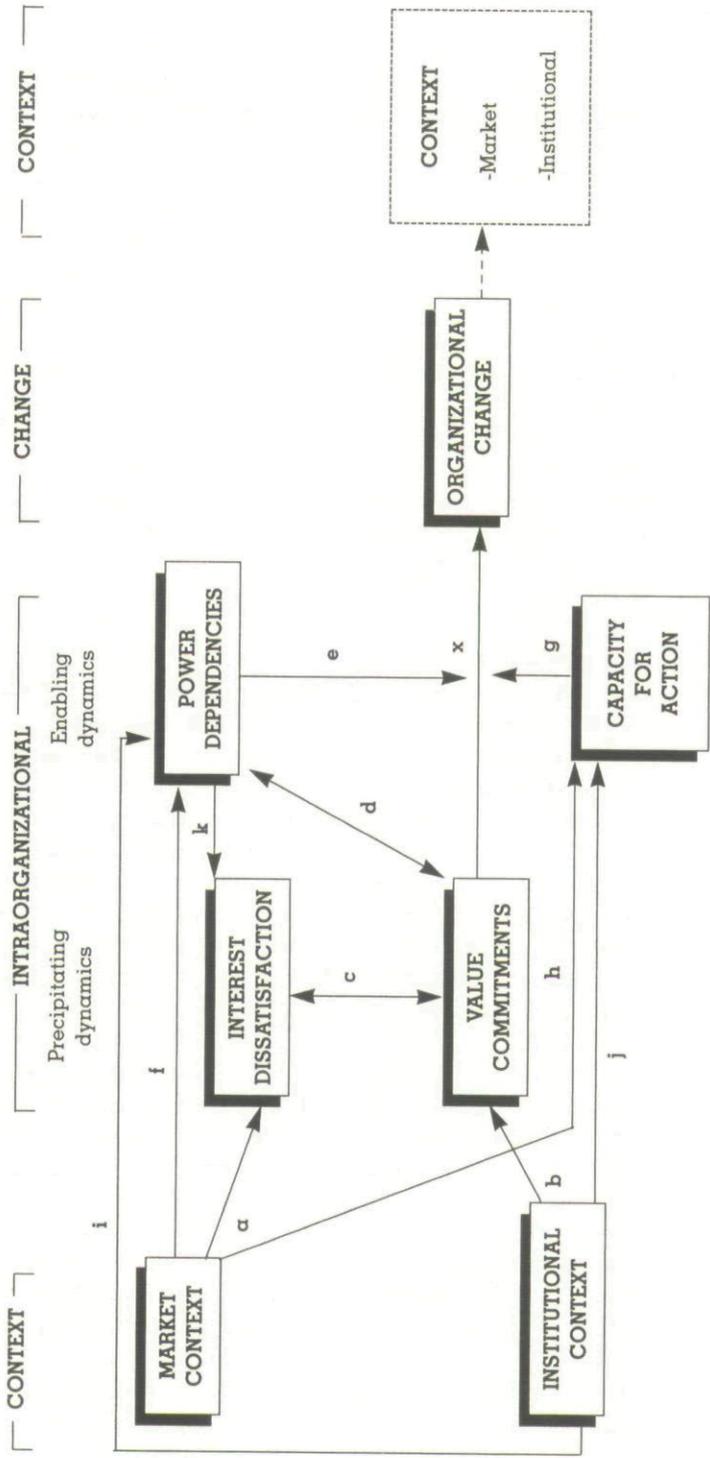
### **Precipitating Dynamics**

From our perspective, it is necessary to take seriously the internal complexity of organizations (i.e., every organization is a mosaic of groups structured by functional tasks and employment status). Thus, in accounting firms there are separate functional groups for audit work, tax activities, small business practices, insolvency, and management consultancy. Within each of these groups are "students," "managers," and "partners." Blau's (1974) analysis of organizational structuring demonstrated that complex organizations handle growth and/or contextual complexity by differentiation into groups, each of which is focused on specialized tasks. The process of specialization leads to significant differences between groups in terms of structural arrangements (e.g., Lawrence & Lorsch, 1967) and orientation (e.g., Payne & Mansfield, 1973; Payne & Pugh, 1976; Pheysey, Payne, & Pugh, 1971).

However, central to our perspective is the role of "interests" and "value commitments." Functionally differentiated groups are not neutral and indifferent to other groups. Much of the work on differentiation and conflict in organizations (Lawrence & Lorsch, 1967) shows how technical boundaries between departments and sections are reinforced and buttressed by cognitive boundaries. Thus, in any organization are the seeds of alternative ways of viewing the purposes of that organization, the ways in which it might be appropriately organized, and the ways in which actions might be evaluated. This view is very much reflected in the old institutionalism of Selznick (1949).

One outcome of such organizational differentiation is that groups seek to translate their interests into favorable allocations of scarce and valued organizational resources. As Palmer, Jennings, and Zhou (1993: 103) put it:

**FIGURE 1**  
**Model for Understanding Organizational Change**



"Organizations are . . . arenas in which coalitions with different interests and capacities for influence vie for dominance." A potential pressure for change and/or inertia, therefore, is the extent to which groups are dissatisfied with how their interests are accommodated within an organization. A high measure of dissatisfaction becomes a pressure for change (Covaleski & Dirsmith, 1988; Walsh, Hinings, Greenwood, & Ranson, 1981).

We would expect organizations to vary in the extent to which they are characterized by interest dissatisfaction, for two reasons. First, organizations develop portfolios of services that vary in scope and balance. Arthur Andersen, for example, has aggressively promoted management consulting (especially in information technology), and the result has been that consulting income constitutes 45% of the firm's income (*Public Accounting Report*, 1995). In other accounting firms, the proportion is much lower. Arthur Andersen also has a smaller proportion of partners to total members employed, and the result is that income per partner is higher than the industry average. These differences in operating practices influence the relative sizes of different groups within the organization and their position of advantage and disadvantage. Hence, even in the same market context, the extent of interest dissatisfaction can vary from firm to firm (line a in Figure 1).

Dissatisfaction, however, does not provide direction for change. Intense pressure for change arising from dissatisfaction with accommodation of interests will not lead to *radical* change, unless dissatisfied groups recognize the connection between the prevailing template (which shapes the distribution of privilege and disadvantage) and their position of disadvantage.<sup>4</sup> It is the possibility of an alternative template that allows recognition of that connection. Thus, what becomes critically important in explaining the possibility of radical change is the *pattern of value commitments* within the organization, of which four generic patterns can be identified:

1. *Status quo commitment*, in which all groups are committed to the prevailing institutionalized template-in-use.
2. *Indifferent commitment*, in which groups are neither committed nor opposed to the template-in-use. This situation is frequently one of unwitting acquiescence.<sup>5</sup>
3. *Competitive commitment*, in which some groups support the template-in-use, whereas others prefer an articulated alternative. (The articulated alternative would have its origins in the institutional context.)
4. *Reformative commitment*, in which all groups are opposed to the template-in-use and prefer an articulated alternative.

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<sup>4</sup> We believe that groups often do not recognize how the existing organizational design is disadvantageous to their interests. Indeed, the most effective way by which advantaged groups maintain their privileged positions is through an organizational archetype that is regarded by disadvantaged groups as legitimate (Walsh et al., 1981).

<sup>5</sup> We deliberately use what may seem like a conceptual oxymoron (indifferent commitment) to represent the situation of group members being neither for nor against particular changes. It also represents the midpoint that occurs on all scales used to measure values.

Organizations will vary in their patterns of value commitments partly because of their different locations within the institutional sector (line b in Figure 1). As Leblebici and colleagues (1991) showed, organizations that are more peripheral and thus less embedded are less committed to prevailing practices and readier to develop new ones. They lack the intensity of commitment to the status quo found in firms that are more centrally located within the institutional field. Organizations also vary in their patterns of value commitments because they have different rates of success in the marketplace and respond accordingly. Thus, the growing maturity in the audit market coupled with the decline in perceived client loyalty (Greenwood, Cooper, Hinings, & Brown, 1993) has caused accounting firms to develop more professional marketing functions. Similarly, the complexity of organizational arrangements following the mega mergers of the 1980s led some of the enlarged firms to strengthen the human resource function. By hiring nonaccountants from other institutional sectors, new sets of expectations and thus commitments to ways of doing things are built into the organization (line b in Figure 1). Put more formally, organizations with *high structural differentiation* (Lawrence & Lorsch, 1967) tend to have greater conflict among the groups of specialists. Each group may adhere to a set of institutional norms that is different from other groups, producing competitive commitment.

Thus far, interests and values have been described as *discrete precipitators* of pressure for change. In fact, they are linked (line c in Figure 1). One of the crucial attributes of values is that they become taken for granted and can serve to mute or temper expressions of dissatisfaction. That is, dissatisfied groups may not recognize that the prevailing template is a cause of that disadvantage. The role of value commitments is thus critical, because there is no direct link from interests to *radical* change, only from interests to *convergent* change. Radical change will occur only if interests become associated with a competitive or reformative pattern of value commitment (line x in Figure 1).

For example, management consultants within the accounting industry became cuckoos in the nest, increasingly producing greater shares of revenues and growth and yet being denied full reward (in terms of remuneration and status) for doing so. As a consequence, management consultants in several accounting firms became dissatisfied with their interests and began to question the organizational assumptions of how things were done (i.e., their commitment to the template-in-use, which favored the accounting profession, began to erode). The pattern of value commitments in these firms thus moved from a status quo pattern to a competitive pattern, *even though institutional pressures were unchanged*. In most accounting firms, an uneasy tension arose between accountants and consultants, as each profession became committed to different archetypes (*Business Week*, 1988; Stevens, 1991).

Competitive commitments, we have noted, can occur even in tightly coupled institutional fields, but if the degree of structuring is relatively

modest, ideas and possibilities become more easily expressed and articulated. In situations of inconsistent cues and the absence of reinforcing institutional mechanisms, alternative templates develop and can be promoted by dissatisfied groups (line c in Figure 1). In this way, market and institutional contexts interact with interests and value commitments to create pressures for change. Pressures from the market and institutional contexts, in other words, precipitate the desire for change and, as we have stressed, the intensity of the pressure will likely vary from one organization to the next. The *direction* of change or of inertia is a function of the pattern of value commitments. Thus,

*Hypothesis 10: Radical change will occur if the pattern of value commitments is competitive or reformative, irrespective of market and institutional pressures.*

*Hypothesis 11: Interest dissatisfaction will lead to radical change only if it is associated with a competitive or reformative pattern of value commitments. Otherwise, interest dissatisfaction will precipitate convergent change.*

*Hypothesis 12: A reformative or competitive pattern of value commitments is more likely to occur (a) in peripheral rather than core organizations, (b) in organizations with a complex portfolio of product/services, and (c) in institutional contexts that are loosely structured.*

In terms of the speed of change, it seems reasonable to suggest that a reformative commitment will be associated with revolutionary change because of the absence of resistance. A competitive change, in contrast, is more likely to be evolutionary in pacing as resistance occurs. Thus,

*Hypothesis 13: A reformative commitment will be associated with revolutionary change.*

*Hypothesis 14: A competitive commitment will be associated with evolutionary change.*

### **Enabling Dynamics**

Internal pressures for change, in summary, derive from interest dissatisfaction and the pattern of value commitments. The intensity of those pressures is the outcome of their links with market and institutional contexts. Radical change, however, will occur only in conjunction with an appropriate "capacity for action" and supportive power dependencies. Capacity for action and power dependencies are the *enablers* of radical change.

A political model of organizational change that starts from groups with different beliefs and interests must incorporate power (Clegg, 1975). Groups use favorable power dependencies to promote their interests (line k in Figure 1): As Fligstein (1991: 313) noted, "Change . . . can only occur

when either a new set of actors gains power or it is in the interest of those in power to alter the organization's goals." An interesting twist in recent studies has been recognition that radical change cannot be nakedly prescribed, but it is better accomplished by appeals to normative "visions" (Collins & Porras, 1991).

Organizationally defined groups vary in their ability to influence organizational change because they have differential power. Some groups and individuals are listened to more keenly than others. Some have more potential or less potential for enabling or resisting change. The relations of power and domination that enable some organizational members to constitute and recreate organizational structures according to their preferences thus becomes a critical point of focus (Pettigrew, 1985; Ranson et al., 1980). The operation of values and interests can be conceptualized and understood only in relation to the differential power of groups.

There is a reciprocal relationship between power dependencies and value commitments (line d in Figure 1). Any normative scheme implies differential access to and control over key decision processes within organizations. In this sense, the prevailing archetypal template in an organization "gives" power to some groups and not to others. To the extent that groups recognize this link, it will be to their advantage to promote the norms of that template. Positions of power also can be used to buttress the prevailing archetype (Covaleski & Dirsmith, 1988). Hence, in a situation of a competitive pattern of commitment, radical change would not be the likely outcome, *unless* those in positions of privilege and power were in favor of the proposed change. Power dependencies either enable or suppress radical organizational change (line e in Figure 1).

It is when one explores the role of power that the interaction of market and institutional contexts becomes apparent. The resource dependence model (Pfeffer & Salancik, 1978) expresses one logic of change by tracking the effects that changes in market pressures have on power dependencies within the organization, which then enables change. That is, the precipitator of change (for the resource dependence model) is the market context, which, when the salience of some issues is raised relative to others (e.g., the need for aggressive marketing of accounting services), alters the relative power of groups (line f in Figure 1) within the organization (e.g., marketing specialists, vis-à-vis audit practitioners) and leads to the executive succession link. The new executive then introduces radical organizational change. That is, the resource dependence model posits a direct link among market changes, power dependencies, and radical change. (This line of reasoning is consistent with Fligstein's, 1991, account of the evolution of the M-Form organization in the United States. Fligstein showed how changes in the market context led to changes in the relative power of functional groups within the American corporation—specifically, from manufacturing, to sales and marketing, to finance—which led to shifts in strategy and organization from the vertically integrated undiversified

form, through the related diversification model, to the unrelated diversified corporation.)

We suggest that the resource dependence thesis complements the institutional perspective, because market pressures may well reconfigure power relationships within an organization. However, the institutional context also acts to configure the power and status of groups within an organization (line i in Figure 1) and not necessarily in a manner consistent with market exigencies. For example, accounting firms universally have accorded high status and power to professional accountants, compared to both consultants and professional managers (e.g., marketing and human resource) despite the growing importance of these latter professions in generating revenue. In other words, the institutional context might *nullify* pressures from the market context. Alternatively, institutional pressures, even without market pressures, might shift power dependencies in favor of groups that prefer an alternative template to the existing one.

Most important, shifts in power dependencies, whether brought about by market and/or institutional pressures, will produce radical change *only* if the dominant coalition recognizes the weaknesses of existing template arrangements *and* is aware of potential alternatives. That is, users of the resource dependence model *assume* that there exists a competitive value commitment within an organization (which may not be correct) and also assume that as changes in power occur, alternative templates will be introduced. In our model, we propose that there are *several* possible patterns of commitment, which means that changes in power dependencies within an organization may or may not lead to radical change. Enabling power dependencies will lead to radical change *only* if alternatives to the prevailing archetypal template are *known*. This is similar to Fligstein's note that "shocks or instability still require that actors develop a set of solutions based on their interpretation of the shock, which will generally reflect their position in the organization and the interests of that position" (1991: 316). Change occurs where power dependencies *combine* with either a competitive or reformative pattern of value commitments. Thus,

*Hypothesis 15: Radical change will not occur without an enabling pattern of power dependencies combined with either a reformative or competitive pattern of value commitments.*

The second enabling dynamic—capacity for action—is the ability to *manage* the transition process from one template to another, which has three aspects.<sup>6</sup> Radical change cannot occur without the organization's

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<sup>6</sup> Some institutional studies have shown how organizations may make significant changes to their structures, in order to meet institutional expectations, but without fundamentally affecting the technical processes at the core of the organization (e.g., Meyer & Rowan, 1977). Such changes would not require a capacity for action because the new structures are not intended to accomplish anything (other than legitimacy). In our model, radical changes are intended to be substantive, not a matter of appearance, hence the need for "capacity for action."

having sufficient *understanding* of the new conceptual destination, its *having* the skills and competencies required to function in that new destination, *and* its having the ability to manage how to get to that destination. The importance of capacity for action has been alluded to by other authors (Carnall, 1990; Clarke, 1994; Fombrun, 1992; Nadler & Tushman, 1989; Tichy, 1983). Nadler and Tushman (1990), in their discussion of leadership and change, distinguished among three sets of leadership activities: charismatic (envisioning, energizing, and enabling), instrumental (structuring, controlling, and rewarding), and institutional (ensuring changes stick). These activities have to be performed by multiple actors. In our terms, capacity for action embraces both the *availability* of these skills and resources within an organization *and* their *mobilization*. Mobilization, in this sense, is the act of leadership. Capacity for action is also consistent with Amburgey and colleagues' work (1993), which showed that organizations with recent experience of change are more likely to attempt further change. In our terms, experience increases capacity for action. Capacity for action is an enabling dynamic because without it radical organizational change will not occur (line g in Figure 1). By itself, however, capacity for action would not be expected to precipitate change—there has to be a motivation for change driven by the precipitating dynamics. Thus,

*Hypothesis 16: Radical change will not occur without a sufficient enabling capacity for action combined with either a reformative or competitive pattern of value commitments.*

Capacity for action may influence the speed by which radical change is accomplished. A clear understanding of the new destination and of how to get to that destination may give an organization the confidence to push ahead rapidly with change. On the other hand, lack of clarity and lack of expertise may promote lack of sureness and slower, almost experimental steps. Thus,

*Hypothesis 17: High capacity for action will be associated with revolutionary change.*

Figure 1 shows capacity for action linked to the market context (line h). The recruitment of marketing and human resource management specialists into accounting firms illustrates how the market context is connected to capacity for action. Recruited ostensibly to introduce new marketing and human resource management practices, these employees often brought to the organization the experience of governing and organizing in fundamentally different ways. Their previous employment in corporate organizations (e.g., Proctor and Gamble) introduced within the accounting firm an awareness of alternatives to the professional partnership form of organization and a knowledge of how to operate such alternatives. Similarly, the experience of mega mergers undertaken in response to perceived market pressures (Greenwood, Hinings, & Brown, 1994) provided accounting firms with significant experience of managing change. In other words,

developments in the market context can have an impact on the level of capacity for action in the organization, increasing the possibility for radical change.

The capacity for action might also be shaped or constricted by the institutional context (line *j* in Figure 1). Deeply embedded firms may be prevented by the institutional context from developing an action capability. That is, organizations that are centrally located within an institutional context may be less likely to develop the specialties and competencies of an alternative archetype. Peripheral organizations, in contrast, may develop these competencies because they are less fully socialized by the context. In this sense, the institutional context can act to limit the development of capacities for action in some but not all organizations. However, the context itself might fundamentally shift and articulate a new template, as occurred in Hinings and Greenwood's (1988a) study of municipal governments in the United Kingdom. In this scenario, the institutional context serves to articulate the need for new competencies and promotes the development of capacities for action.

Power dependencies and capacity for action are necessary but not sufficient conditions for radical organizational change. By themselves they will not lead to radical change, but they can and do enable or constrain it.

## CONCLUSIONS

In the introduction to a collection of articles that summarized the current position of institutional theory, DiMaggio and Powell (1991a: 27) stated that "one of the principal goals of this volume is to address head on the issues of change, power, and efficiency." They saw these three issues as neglected in the historical development of institutional theory. Our emphasis has been to develop the contribution of institutional theory in order to understand radical organizational change. In particular, we have focused on the interplay of contextual forces and intraorganizational dynamics.

In making this attempt we also see ourselves dealing with two other points made by DiMaggio and Powell (1991a). The first point relates to the relationship between the "old" and "new" institutionalism (DiMaggio & Powell, 1991a: 11-15, especially Table 1.1). New institutionalism, these authors suggest, is primarily related to organizations-in-sectors, whereas the old institutionalism centers on the individual organization. We have attempted to build something of a bridge over this gap, both posing and trying to answer the question: What are the processes by which individual organizations adopt and discard templates for organizing, given the institutionalized nature of organizational fields (neo-institutionalism)? We have tried to show how the external processes of deinstitutionalization have to be understood (organizations-in-sectors) *together with* the internal dynamics of interpretation, adoption, and rejection by the individual organization.

We have also suggested that the understanding of radical change requires more than an analysis of the institutional arena or sector. There must be a concern with patterns of value commitments, power dependencies, interests, and capacity for action within the organization. Typically, institutional theorists have informed our thinking about the nature of institutional pressures toward conformity and uniformity. They have emphasized the exogenous nature of change, which emanates from the realm of ideas and legitimacy. But understanding change is about understanding variations in response to the same pressures, which can only be done by analyzing the features of organizations that produce adoption and diffusion rather than resistance and inertia. The model of radical change developed in here is about such understanding.

### Future Directions

A central message of this article is that to understand the incidence and pacing of radical organizational change, in particular the differences between organizations as they respond to apparently similar contextual pressures, it is necessary to understand the play of intraorganizational dynamics. These dynamics have been defined as the pattern of value commitments, dissatisfaction with interests, power dependencies, and capacities for action. These dynamics are largely the product of ongoing studies into the accounting and law industries (Hinings, Brown, & Greenwood, 1991) and earlier work into the municipal sector in the United Kingdom (Hinings & Greenwood, 1988a; Greenwood & Hinings, 1993). An obvious requirement is examination of the applicability of the ideas to other sectors, especially less mature and less homogeneous sectors. Our suggestions at this point, however, concern the role of the dynamics in explaining why organizations respond differently to the same contextual pressures, which implies comparisons between organizations in the same sector. Two questions seem particularly important:

1. What are the determinants of a reformative or competitive commitment (i.e., of normative fragmentation)?
2. How do precipitating and enabling dynamics interact to respond to increasing pressures for change?

**What are the determinants of normative fragmentation?** Central to the framework is that radical organizational change will occur only if the pattern of value commitments is either reformative or competitive (and associated with favorable power dependencies and capacity for action). A key research endeavor, therefore, would be to identify what increases the likelihood of a competitive or reformative pattern of value commitments. In which situations is the researcher likely to find erosion of commitment to a prevailing archetype-in-use and development of either a competitive or reformative commitment? What are the precursors of "deinstitutionalization" (Oliver, 1992) *within* the organization?

Numerous factors might cause such an erosion of commitment, and several are noted in the change literature. In particular, performance prob-

lems and crises act to trigger political dissensus over existing arrangements and permit groups less committed to prevailing practices to more legitimately raise and promote alternative perspectives (e.g., Child & Smith, 1987; Oliver, 1992; Pettigrew, 1985; Tushman & Romanelli, 1985). This occurred in the local government sector of the United Kingdom, as groups such as corporate planning units and administrative departments espoused the logic of corporate planning as preferable to traditional professional practices as a means of handling social and urban problems (Hinings & Greenwood, 1988a). The pressure for change was contextual but amplified by groups within the organization. The push of management consultants within accounting firms for a new approach to management, in contrast, was the product of the dissatisfaction with their share of organizational resources (compensation and influence) rather than poor organizational performance. Precipitators of change, as we have shown previously, can be contextually or internally driven.

Hinings and Greenwood (1988b) pointed out that it may be quite unusual for the market and institutional contexts to produce strong, consistent signals about the need to change to a new archetype. There may well be conflictive institutional signals. This conflict currently can be seen in the law sector, where there are not only pressures from the market for organizations to become more corporate but also pressures from regulators for organizations to remain groups of autonomous professionals. The result may well be high levels of competitive commitment and the existence of sedimentation of values, structures, and systems (Cooper et al., *In press*) and unresolved excursions (Hinings & Greenwood, 1988a).

A second possible cause of erosion of commitment to a prevailing archetype would be increasing representation of ideas and views within the workforce, which cause "normative fragmentation" (Oliver, 1992: 575). An increasing representation of ideas and views would follow changes in the composition of the workforce (e.g., increasing diversity, turnover of personnel), changes in the portfolio of activities (e.g., the development of new "products," such as management consultancy within accounting firms), and changes in specializations within the organization (e.g., the growth of forensic accountants). The common theme of these developments is that organizational differentiation, both in the way that Lawrence and Lorsch (1967) and Blau and Schoenherr (1971) used those terms, increases the possibility of normative disagreement.

Even a superficial reflection on the forces that might lead to normative fragmentation indicates that some contemporary organizations are likely to experience fragmentation. Most studies of the future workplace stress increasing workforce diversity (e.g., Boyett & Conn, 1991; Krahn & Lowe, 1993). Similarly, the trend of contemporary society has been toward increased specialization of knowledge and thus of occupational differentiation. (For example, the accounting profession has for some years operated through four major divisions: audit and accountancy, insolvency/corporate recovery, tax, and small/independent business.) Recently, however, new

specializations have developed—forensic accounting, environmental accounting, and so forth (Lawrence, 1993). These trends suggest that more organizations will experience normative fragmentation and dissensus than may have been the case previously.

This line of research would explore the extent to which increasing workforce diversity and structural differentiation is associated with normative fragmentation and thus competitive value commitments. Sites where this might occur would include companies growing through mergers and/or acquisitions or organizations that have recently experienced severe market/funding challenges. In these situations, it would be informative to trace how the changes either "produce" or "do not produce" competitive commitments.

Hinings and Greenwood (1988a), from their studies of municipalities, found that change occurs more quickly where organizational size is small, where there is low structural and task complexity, and where mergers and amalgamations sharpen the search for a relevant organizational form to cope with the new situation.

**How do precipitating and enabling dynamics interact in response to pressure for change?** Understanding the causes or conditions of normative fragmentation is a preface to the key task of uncovering how precipitating and enabling dynamics interact in response to pressures for change. At present, we know relatively little of these interactions. Probably, both detailed case comparisons and broader examinations are required.

Kikulis and colleagues (1995) and Fligstein (1991) gave indications of how broad surveys might provide insights into the play of intraorganizational dynamics. Kikulis and colleagues examined the adoption by sports organizations in Canada of a more professional approach to management. They showed how some organizations were much earlier movers than others and how some retained more traditional practices. By comparing these three groups (early movers, late movers, and nonmovers) it would be possible to ascertain whether the timing or absence of movement was a function of differences in precipitating and/or enabling dynamics. Given a large enough sample, researchers could gain insights into whether early movers tend to be those with reformative commitments (i.e., no resistance) and that have a high capacity for action, or whether there is a range of configurations conducive to early movement (e.g., competitive commitment plus favorable power dependencies plus capacity for action). Similarly, it would be interesting and not too difficult to observe whether late movers begin either with unfavorable precipitating dynamics (e.g., status quo commitment) or with unfavorable enabling dynamics (inappropriate power dependencies and/or low capacity for action). Furthermore, late movers would provide some understanding of what it is that changes in order that change can occur (is it a shift from reformative to competitive commitments, or reconstitution of power dependencies, or acquisition of capacity for action?).

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Fligstein's (1991) study of the adoption of strategies of diversification and associated organizational structures, by the *Fortune* 100, from 1919 to 1979, provides another example of how some of the basic parameters of the intraorganizational dynamics might work. He showed that organizational change followed appointment of a CEO from a different functional background, who provided a "new view of the firm's strategy" (Fligstein, 1991: 334). Appointment of a CEO with a new functional background reflected a redistribution of power dependencies. From our perspective, it is the analysis of historical data of large numbers of organizations and the comparison of early and late movers that enables some insights to be gleaned into the workings of intraorganizational dynamics.

Comparative studies that have the scope of those conducted by Fligstein (1991) and by Kikulis and colleagues (1995) can only go so far in uncovering the role of intraorganizational dynamics. Equally necessary are more detailed studies that permit the careful assessment of nonlinear processes. Previously we suggested that the study of sports organizations could have identified first movers and late movers and traced differences between them. But to fully understand (a) *how* new archetypal templates are uncovered, (b) *which* organizational actors uncover them (e.g., by monitoring other organizations), and (c) *how* they are used within the organization requires the case study method. Is it usually disadvantaged groups (i.e., those with high interest dissatisfaction) that are sensitive to new archetypal possibilities, or is it those with greater exposure to contextual change? For example, are members who cross the organizational boundary and come into contact with new ideas and possibilities more likely to question existing archetypal arrangements, or is it those who are dissatisfied with their share of scarce and valued organizational resources?

There is also the need to understand how new ideas become legitimated within the organization. In situations of a competitive commitment, power dependencies determine which view prevails. However, how do groups that do not have power but prefer change obtain sufficient power to effect change? Do these groups convince others that changes are desirable? From an institutional perspective, changes brought about by the latter method are more likely to be sustainable. But under what circumstances and for what reasons do privileged groups accept radical change and diminished privilege?

Our previous work on the adoption of new archetypes in a highly institutionalized sector, British local government, provides some insight into how these dynamics might play out (Hinings & Greenwood, 1988a). The development of movement away from an archetype depends on the existence of an articulated alternative organizational form and a leadership and power structure that allows alternatives to be expressed in arenas that matter. For an organization to move toward an institutionally novel archetype, a high degree of organizational capacity is needed. That initial movement toward a new archetype is consolidated through a spreading of commitment to change and a gradual tightening of the power

structure. However, in an organization, a high value propensity to change and a low resistance to change are sufficient conditions to produce structural change, regardless of context, interests, and power.

In contrast, change can be blocked through a concentrated power structure (elite domination) and/or an active, transformational leadership that continuously reaffirms the importance, efficiency, and effectiveness of the current archetype. Sufficient conditions for no change become a high resistance to change by a dominant coalition with a concentrated power structure, regardless of the values held by the non-elite.

Both of the (big) questions we have raised as future directions generate questions of relationship with two other areas of theorizing, organizational cognition and organizational learning. Scott (1991) suggested that the new institutionalism places more emphasis on cognitive factors than did the old institutionalism, and DiMaggio and Powell (1991a: 29) characterized our previous work as institutional theory with "a cognitive spin." Walsh (1995: 311) reviewed the field of managerial and organizational cognition, examining the "representation, use, and development of the content and structure of knowledge structures." Clearly, in dealing with value commitments and capacity for action, we are dealing with knowledge structures and hypothesizing that radical change involves changes in them. A link can be made to the questions that Walsh (1995: 307) raised, such as "the rate, magnitude, and locus of knowledge structure change" that is involved in radical organizational change and the extent to which institutional redefinition involves changes in knowledge structures. Certainly, the possible overlap of conceptual categories should be examined.

Similarly, organizational change requires organizational learning. Not only is there a link between change and learning but there is also a link between learning and cognition. Change from one archetype to another involves designing new organizational structures and systems, learning new behaviors, and interpreting phenomena in new ways. How do group members acquire and learn these new behaviors and interpretations? How are the values contained in new archetypes diffused to different groups in the organization?

### **Methodological Assumptions**

The previous discussion has touched on a number of methodological themes that require amplification. The first is that archetypes exist and can be observed empirically; indeed, they have to be because they are the basis of the definition of radical change. The means of uncovering and measuring archetypes has been provided in other studies (Greenwood & Hinings, 1993). It involves immersion within an institutional sector such that a detailed understanding is obtained of that sector. In particular, the different interpretive schemes have to be unearthed, and the implications they have for organizational design must be worked through.

Using archetypes as the basis for understanding the dynamics of organizational change means that research has to be based on populations of organizations that are subject to similar institutional pressures. Most likely this will be situated in an industry sector, something which is quite usual in institutional theory. However, it could be based on organizational sets from different sectors, in which there are similar pressures for organizational change, for example, the work exemplified in Fligstein's (1991) study of the *Fortune* 100. Large-scale comparative studies such as those of Tolbert and Zucker (1991), Fligstein (1991), Baum and Oliver (1991), Palmer et al. (1993), and Kikulis et al. (1995) are necessary to establish (a) the changes in structures and systems that have taken place in a population and (b) the ways in which these changes coincide with institutional templates. However, these studies are limited in what they can show regarding the processes and dynamics through which individual organizations either do or do not adopt new institutional prescriptions.

As a result, detailed comparative case studies are required, and, if possible, in real time. There are a number of reasons for case studies. First, the conceptual framework that we have outlined in Figure 1 contains a number of concepts that are difficult to measure (e.g., power, interests, and leadership). These concepts tend to be highly sensitive to context in their operation. Second, radical organizational change takes place over lengthy periods of time. A number of researchers (cf. Nadler & Tushman, 1989; Miller, 1990; Huber & Van de Ven, 1995) suggested that not less than three years is required to gain some indication of how such changes are proceeding. To establish the interactions of precipitating and enabling dynamics in the light of institutional pressures over such time periods requires careful case study research (cf. Barley, 1986).

The third and very important point is that it is likely that radical organizational change is the product of processes that are oscillatory and iterative. Much organization theory operates, at least implicitly, with a linear perspective. That is, outcomes (in the present instance, radical organizational change) are treated as the product of sequential interactions between a given set of variables. In one sense, Figure 1 is laid out in this fashion. However, radical organizational change occurs in ways that are iterative, and close attention to such iterations is required to truly understand the dynamics. It is improbable that a single, simple line of causation will explain the occurrence of radical change. Instead, different combinations of interactions between precipitating and enabling dynamics are possible.

### Concluding Remarks

It would be possible to elaborate further possible research directions, each based on some combination of the elements of the intraorganizational dynamics. However, our concluding and key points are somewhat more general. The first is that institutional theory does, in fact, have a contribution to make to understanding organizational change, which goes

beyond the ideas of inertia and persistence. But this can only happen when the old and the new institutionalism are combined in a neo-institutionalist framework. As so often happens in the evolution of theoretical areas, there is a period of movement away from starting points, a process of rediscovery of those starting points, and the "reincorporation" of these points into existing theory. We have attempted to start this task.

A second key point is that it is when theorists research the *interaction* of organizational actors with institutionalized contexts that they will find new directions. It is in the intersection of two forces that explanations of change and stability can be found. On the one hand, institutions are shapers of organizational arrangements (Jepperson, 1991; Jepperson & Meyer, 1991). On the other hand, key actors in organizations articulate views of strategy and have the power to implement that view (Fligstein, 1991). As Brint and Karabel (1991: 343) put it, "we wish to make a distinction, then, between the sociology of institutional forms and the sociology of institutional change." This distinction raises questions of why particular archetypal templates are chosen over possible alternatives and why those templates change in particular directions over time.

This observation leads directly to our final key point. The action of values, interests, power, and capacity within an organization must be brought into play. *However*, this action has to be located in the groups that make up any particular organization. Action is not disembodied; it comes from organizational actors who have positions, skills, commitments, and histories that are primarily found in the groups of which those actors are members. Change and stability are understood through the ways in which organizational group members react to old and new institutionally derived ideas through their already existing commitments and interests and their ability to implement or enforce them by way of their existing power and capability.

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