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THE INSTITUTION CONSTRUCT IN INSTITUTIONAL APPROACHES

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Abstract

The old and the new institutionalisms in institutional economic approach acknowledge the role of institutions as factors influencing economic performance. Although the former builds up its assumptions based on gaps in neoclassical economics, urging economic evolution and dynamics while stressing habits as a key element in the institutional concept, the new economic institutionalism includes in its analysis the concepts of transaction costs and property rights, attempting to explain institutional dynamics through creating efficient solutions. Similarly, in the institutional social approach, the old social institutionalism acknowledges the influence of social interactions on institutions, while its new counterpart supplements it, proposing that the institutional reality is built up by society and the quest for legitimate standing among organizations. This paper presents an integrative and organizing framework for reconciling economic and social outlook of the institutional approach from the stand point of organizational studies, through highlighting the ontological and epistemological foundations of each institutional approach. It also presents the poststructuralist contributions of Giddens and Bourdieu to the institutional approach. Authors argue that the pursuit of interdisciplinarity, regarding the institution construct that is common to all approaches, lead to a greater understanding of the relation between institutional structure and agency and of the formation of the institutional environment.

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ABSTRACT

The ‘old’ and the ‘new’ institutionalisms in institutional economic approach acknowledge the role of institutions as factors influencing economic performance. Although the former builds up its assumptions based on gaps in neoclassical economics, urging economic evolution and dynamics while stressing habits as a key element in the institutional concept, the ‘new’ economic institutionalism includes in its analysis the concepts of transaction costs and property rights, attempting to explain institutional dynamics through creating efficient solutions. Similarly, in the institutional social approach, the ‘old’ social institutionalism acknowledges the influence of social interactions on institutions, while its ‘new’ counterpart supplements it, proposing that the institutional reality is built up by society and the quest for legitimate standing among organizations. This paper presents an integrative and organizing framework for reconciling economic and social outlook of the institutional approach from the stand point of organizational studies, through highlighting the ontological and epistemological foundations of each institutional approach. It also presents the poststructuralist contributions of Giddens and Bourdieu to the institutional approach. Authors argue that the pursuit of interdisciplinarity, regarding the institution construct that is common to all approaches, lead to a greater understanding of the relation between institutional structure and agency and of the formation of the institutional environment.

Keywords: sectoral system of innovation, regulatory framework, strategic alliance, alliance.

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INTRODUCTION

In recent years, increased in intensity and importance the research agenda referenced in the institutional approach. This growth has been followed by a pursuit of complementarity between economic and social approaches. Despite this effort, the multidisciplinary approach is a matter of great debate. Despite the vast literature on the economic and social approaches of institutional theory, there are few works such as Nee (2005) that discuss the interdisciplinarity of the economic and social spheres. In fact, both approaches have in common the central assumption that the interaction of institutions with the social networking shapes and directs economic action. However, they are far from consensus on the conceptual definition of institution and on how it transforms the reality. This paper seeks to identify the common elements to sociological and economic areas of institutional approach in order to contribute to a multidisciplinary approach, which can potentiate the contributions of institutionalisms to the study of organizations. Specially, we believe that the contribution of poststructuralist authors like Giddens and Bourdieu are important for the approximation of these perspectives.

With a critical position in relation to neoclassical economics, considered unrealistic by ignoring the historical context, the 'old' institutional economic theory has placed institutions at the center of studies on economic development. The authors who favor this view see the economy as a continuous process of change with the institutions being part of this process and influencing economic development. This approach incorporates the concept of habit as a necessary element for human action. The habit is the central element of the institution, based on which individuals are constituted. Incorporating beliefs and determining behaviors, habits are the result of repetitive actions. Despite the great analytical contribution on the economic development and understanding of the dynamics of economic institutions, the nature essentially

descriptive restricted the scope of Institutional Economics, remaining a dissident movement of the economy with a large number of descriptive materials without theory.

For the New Institutional Economics, based on the Coase (1984)'s questioning of the concept of firm, the neoclassical theory ignores important aspects of organization and market that permeate the firm. For this approach, corporate performances are associated with capitalistic concepts in an environment with transaction costs (cost of trading, safety, and completion of transactions in a market economy) in all governance structures. The wide acceptance of the New Institutional Economics was due to the effort of theoretical formulation in the analysis of the role of institutions on economic society. The authors, who share this approach, instead of absolute rejection to the precepts of neoclassical economics, as did their predecessors, have gone into a synthesis effort, trying to correct their deviations and limitations (Nee 2005). The institutional model of the 'new institutionalism' focuses on establishing efficient markets, based on setting up structures grounded on property rights and promulgating laws, in addition to controlling factors that affect industries.

In general, the New Institutional Economics explains the concept of institution from the social and economic interaction, resulting in rules, laws, and codes of conduct, property rights, religion, and other restrictive elements of behavior. Individuals create institutions to establish order and reduce environmental uncertainty. Thus, institutions can strengthen the economic structure and make changes, resulting in growth, stagnation, or decline. There is evidence that institutions can affect political and economic factors that may influence the economic development. Despite the great advances of the New Institutional Economics in building a theoretical apparatus to the institutional approach, it does not explain how beliefs and rules are constructed and influence individuals.

In the social perspective, the institutional approach appears from the 1940s with the studies by Merton (1957) and Selznick (1949). According to these authors, individuals internalize social interaction in institutions in a process of institutionalization. Thus, organizations become institutions by a process endowing values, which become source of personal gratification and vehicle of the group's integrity. Despite the efforts devoted to the explanation of the dynamics of the institutional environment, the 'old' social institutionalism also failed to explain its construction.

The importance of the New Institutional Sociology is given by the effort to explain the emergence and development of organizations and the institutional environment. According to this view the institutional reality is a social construction. Thus, institutions consist of rules, regulations, beliefs and symbols that influence individual behavior, which is controlled within the organizations by moral, legal and cultural aspects. The authors of the New Institutional Sociology also note that organizations need legitimacy to survive in the institutional environment.

Considering the purposes of each approach, we notice that the main difference between the economic and social approaches is related to their goals. While the economic institutionalism seeks to explain the economic performance by organizational development, social institutionalism explains institutional dynamics through the pursuit of legitimacy by organizations. However, analyzing the approaches from the perspective of the subject matter, the element of unity between them is placed in evidence - the institution. This does not imply reducing the scope or diversity of understandings of the concept but rather understanding it as a common denominator. Identifying the common elements between the economic and sociological approaches makes it possible to outline the central elements of the institutional approach.

The understanding of the institution as a common element involves bringing research agenda for understanding institutional change, thus underscoring the importance of shared beliefs, norms and institutions in economic life. Therefore, the contributions of authors who have addressed the relationship between structure and individual action, as Giddens and Bourdieu, are relevant. Giddens (1986), in his *Theory of Structuration*, aimed to understand not only the relationship between individual and structure, but the relations of power, changes and domination resulting from human action on the institutional structure, producing, therefore, a theoretical synthesis that combines institutional structure and action. As well as Giddens, Bourdieu's work is focused on the synthesis of objectivist and subjectivist perspectives. Bourdieu's contributions to the relationship between the institutional structure and the individual action revolve around the concept of habit - a subjective system of internalized structures, enabling the establishment of affinity relationships between the practices of agents and the objective institutional structures (Bourdieu 2010).

The aim of this study is to analyze the contributions of economic and social prospects for the institutional approach, considering the points of contact and distance in the development of the concept of institution. The specific objectives are: (1) present the main elements of institutional economics, comparing the 'old' and new institutional economics, (2) present the main features of sociological institutionalism, comparing the 'old' and new sociological institutionalism, (3) present the contributions of poststructuralists Anthony Giddens and Pierre Bourdieu for the new institutionalism, regarding the understanding of the dynamics between institutional structure and agency, and (4) discuss directions for future research. This work is justified, first, by trying to get the gist of the common institutional approach to economic and social perspectives, thus contributing to the development of interdisciplinary studies in

organizational studies. Moreover, considering the evolution of institutionalism, this paper seeks to contribute to overcoming the gap between the action and institutional structure.

The work is divided into seven parts. Besides this introduction, the second section is devoted to the presentation of the changes experienced by the Institutional Economics, from its origins in the late nineteenth century to the present. Dedicated to the sociological institutional approach, the third section of this work seeks to establish contributions and limits of the institutional sociology since originating works of Merton and Selznick up to the social neoinstitutionalism. The fourth section incorporates poststructuralist contributions of Giddens and Bourdieu in strengthening the interdisciplinary concept of institution. The fifth section synthesizes the points of contact and distance between institutional approaches. The sixth section discusses the research opportunities in the field. Finally, the seventh section is devoted to concluding remarks.

ECONOMIC INSTITUTIONALISM IN PERSPECTIVE

The ‘old’ economic institutionalism

The origins of institutional economics dates back to the late XIX century, through the studies conducted by the German Historical School, which focused on economic development theory. The aim was therefore to analyze the functioning of the economic system framed by social and cultural characteristics. Among his predecessors stand out Thorstein Veblen, John Commons and Wesley Mitchell who claimed that economic analysis should be based on the institutional structure of rules and behaviors. The ‘old’ institutional economics developed from gaps in

neoclassical economic theory. For institutionalists, it was necessary to replace the neoclassical conception of equilibrium model for the idea of economic dynamics and evolution. The main limitation of neoclassical theory, according to the institutional approach, resided in ignoring historical changes, making the concept of balance unrealistic. Another critique on the neoclassical economics refers to the construction of models in mathematical foundations. The theoretical framework of neoclassical economics relates behavior to rational choices, meaning that choices are made by agents based on profit and cost reduction. Thus, the goal of institutional economics was to relate economic performance to aspects of the social construction of institutions, which were influenced by cultural and historical forces (Scott 1995).

The economic approach of institutionalism considers the economy as a continuous process of change, recognizing habits and rules as required for human action and directly related to institutional analysis. Thus, the concept of habit appears as a determinant of behavior and is based not only on the psychological aspects, but also in economic characteristics. For Veblen (1919) an institution is a set of habits of thought common to men in general. Habits support human action and the formation of beliefs, guiding behavior. For this approach, the habits are part of the individual cognitive attributes that are learned. When habits become common for a group, they become routines or customs, preserving their attributes in knowledge, particularly tacit knowledge that, in turn, is transmitted by the institutions (Hodgson 1998).

Institutions are formed from integrated complexes of customs and routines. Institutions result, therefore, on interactions that generate information that, in turn, is shared among economic agents (Commons 1934). Confirmed by the values of societies, these interactions persist, resulting in rules and laws. It can be argued therefore that, in general, institutions reinforce the moral legitimacy, as are a way of imposing social coherence to human activities, in

order to continue to produce and reproduce habits. The 'old' institutional economics assumes that individuals are established from the institutions, which may be various types of entities, ranging from companies to universities and even more abstract entities such as language and laws, among others. Organizations are a sub-set of institutions that require coordination and respect the principles of sovereignty and command (Hodgson 1998).

The 'old' institutionalism does not attempt to construct a general theory, but rather to build up foundations that may be valid for economic analyses at any period, despite economic evolution and dynamism (Aoki 2001). For Hodgson (1993) the 'old' institutionalism fails in this intention due to its strongly descriptive characteristic, leaving some theoretical aspects unanswered. However, its approach is not considered irrelevant, due to the contributions prompted by the inclusion of social aspects in economic analyses. For Nee (2005) and Hodgson (1993) the 'old' institutionalism remained a dissident movement within economics and is considered as a line of thought based on neoclassical economic theory and tied to economic evolutionism. Some contemporary authors feel that the 'old' institutionalism is mistaken when considering institutions as established and does not try explain the construction or formation of the institutional environment (Howitt and Clower 2000; Aoki 2001). The key concept of habits is incomplete, as there is a variety of aspects intervening in its formation.

For Coase (1984) the 'old' institutionalism produces a large theoretical mass awaiting a theory or fire. This author questions the concepts of the firm, urged by neoclassical economic theory, which considers that the firm has a production function where materials enter as inputs and products leave as output. Coase (1984) disagreed with this assumption, as he justified the importance of organizational and market aspects involving the firm that were not taken into consideration by neoclassical theory. For this author, the concept of the firm is broader, as an

alternative mechanism for coordinating economic activities, just like the market. The study conducted by Ronald Coase was important in the transition from the 'old' to the 'new' institutionalism, as it associated corporate performances with capitalistic concepts in an environment with transaction costs in all governance structures. The author feels that the firm and the market compete as institutions that coordinate activities, which also encompass governance structures. Although attempting to measure transaction costs, Coase fails to establish criteria and ventures close to the arguments of neoclassical economics when he affirms that economic agents adopt more efficient governance structures (Williamson 1998; Hodgson 1998).

The 'new' economic institutionalism

The transition from the 'old' to the 'new' institutionalism arose during the 1960s due to criticisms of the 'old' approach, which required explanation. The descriptive character of the 'old' approach encouraged the 'new' institutionalists to draw up a 'new' approach grounded more on empirical tests, which could attain the proposed goals (Peukert 2001). The reflections of Coase (1988a, 1988b, 1988c) on transaction costs are considered as a transition between the 'old' and the 'new' economic institutionalism, as it was on the basis of this analysis that 'new' institutionalist Oliver Williamson drew up the transaction costs theory. One of the main purposes of the 'new' institutionalists is to provide the 'old' institutionalism with continuity, explaining the appearance of institutions, whether firms or states, whose dynamics are ruled by interactions among individuals (North 1994). The appearance of institutions is explained by the difficulties faced by individuals, particularly in the initial stage of situations where institutions are assumed to appear. However, the main criticism of this assumption is the lack of theoretical grounds, failing to indicate a starting point for institutions. The institutionalists use terms such

as ‘institution-free’ and ‘state of nature’ that do not explain the formation of the institutional environment.

Williamson (1998, 2000) mentions that the ‘new’ institutionalists may be divided into two parts. One of these parts deals predominantly with what the author calls the “background conditions”, referring to property rights, transaction costs, legal agreements, rules, customs and conventions. Oliver Williamson is one of the main authors characterizing this part. The second part considers governance mechanisms involving the institutional environment, which includes social and political aspects that establish production, exchange and distribution standards. Douglas North is particularly noteworthy in this second part.

Overcoming the methodological difficulties faced by Coase, Williamson's work is focused on the concept of transaction costs. This author extended the analyses conducted by Coase by demonstrating the existence of costs that are not only information related, but also transaction costs through drawing up agreements. The author acknowledged a variety of situations where transaction costs occur and actually manage to measure them. Williamson (1985, 1998) stresses that economics explains that transaction costs are related to the governance of contractual relationships. Aspects related to governance are also linked to the institutional environment and the attributes of the economic players.

Another important aspect addressed by the ‘new’ institutionalism is property rights, as an element found in the economic performance of organizations, adding that a private company may not function without property rights, which must be considered as a resource. Thus, when an individual makes use of this resource, payment must be made to the proprietor for such use. In addition to defending the existence of transaction costs and property rights, the ‘new’ institutionalists also stress limited rationality. Economic agents perform their actions in a limited

manner, due to their cognitive capacity for processing data, as well as asymmetrical access to this information. Thus, no matter how much agents try to shape their actions to rational guidelines, this is only partial. Still considering the asymmetrical information urged by institutional economics, Williamson (1975) states that this unequal access to information and the cognitive capacities of the agents for construing this data result in opportunistic practices. These practices are characterized by groups acting differently from others, as they hold certain information. These practices interfere in institutional performances and consequently economic performances as well.

North (1993) stresses the importance of considering limited rationality for explaining facts in a more realistic manner. This author explains that mental models guide decision processes, and rationality is the outcome of the complexity of human interaction and mental constraints. Social players interact in order to reduce uncertainties, with incomplete information and mental capacities that are limited, for processing data.

The 'new' institutionalist approach stresses aspects such as ideas, myths and dogmas as practices that influence transaction costs. North (2005) stresses that 'new' institutionalism assumes new determining factors in the economic growth process as being individuals and social groups that shape institutional forms as a way of reducing transaction costs. The concepts of institutions adopted by the 'new' approach involve economic performance. According to the institutional economic standpoint, North (1991) defines institutions as being an economic and social interaction that involves sanctions, customs, traditions, religions, codes of conduct, laws and property rights that impose constraints on behavior. Institutions are set up by human beings to create order and curtail uncertainties. Institutions underpin economic structures and guide economic changes that result in growth, stagnation, or decline.

The key role played by institutions in terms of Institutional Economic Theory, and more particularly the recent approach, is directly linked to transaction costs. Institutions are efficient solutions to organizational problems in competitive environments, allowing low transaction costs through coordinating production and establishing agreements between segments in order to upgrade conditions and cut costs. “Institutions are the rules of the game of a society and are formally established, imposing constraints on human interaction. They consist of formal rules (statutes, laws, regulations), informal constraints (conventions, rules of behavior). Organizations are the players: groups of individuals with the same purposes and aiming at the same goal. They include political parties, the senate, local government, Mayor’s Offices, regulators, firms, ranches, and cooperatives” (North 1992, p.4).

According to Van den Berg and Stagl (2003) the institution is constant during a certain period of time, like a rule. It thus contributes to the stability of the social system to which it belongs. But sooner or later, the institution changes in response to individual actions and decisions. For Loasby (2000), the market is considered as an institution, as it involves exchanges, sometimes deliberately organized, as well as rules and customs. The market is seen as a social interaction that defines rules and constrains behavior. Within the concept of institutional economic theory, it is important to understand the significance of transaction costs, which are directly linked to the existence of institutions. Transaction costs rise, as the information is asymmetrical and has a value for the parties exchanging it (North 1992).

Williamson (1998) refers to micro and macro institutions. Macro institutions are considered as organizations, systems and rules that shape institutional environments regulating the economic system, while micro institutions are institutional arrangements and governance structures that are intended to coordinate and regulate transactions in order to reduce transaction

costs. The author proposes a three-tier scheme that associates the relationships among individuals, institutional environments, and governance structures. There is a link of interdependence among these three tiers. Grounded on the institutional environment, governance structures are established. Similarly, individual behavior and governance structures influence the formation of the institutional environment.

The main economic interest of institutions is based on boosting efficiency and making better use of resources, growing the market and ushering in new circumstances within the economic environment. The implication is that institutions are aiming at efficient outcomes and cannot be economically disregarded, as they are not independent of the economic performance context (North 1994). In order to understand the importance of institutions when analyzing the reasons that make a country rich or poor, the indicators reflecting its spending, investments and tax revenues may offer economically valid explanations. However, behind this there is also a social structure that controls relationships and plays a leading role in economic development (North 1991). The mental models found in various countries with different languages, customs and religions, form distinct patterns for institutions that intervene in the economy in different ways. Local cultures and experiences will produce different institutions and value systems with different construals of earnings and gains (North 2005).

According to Granovetter (1985, 1992) the economic institutional approach fails, despite considering social aspects in its analysis of the actions of economic players, as it considers them as “fragmented”. For this author economic transactions are also supported by interpersonal relationships that build up ties of trust. Interpersonal ties play an important role in markets and firms, ensuring confidence and serving as a channel for information. There is evidence that interpersonal ties may influence economic behavior and market performance, however the

economic approach considers these ties already built up, assuming atomized actors and relations, not explaining the construction of relation ties.

SOCIAL INSTITUTIONALISM IN PERSPECTIVE

The 'old' social institutionalism

For sociology and organizational theory, it was around the 1940s that institutional and organizational aspects began to be related and analyzed as a field of study. This was prompted by studies conducted by Robert Merton in his work entitled *Bureaucratic Structure and Personality* (1957) on bureaucratization and behavior effects in organizations. One of the main points of this work is its criticism of the ideal bureaucratic structure proposed by Max Weber, as a structure of harmful consequences within the reach of organizational objectives (Scott 1995). Even though not using the term 'institutionalization' Merton (1957) developed his analysis of behaviors in bureaucratic structures, investigating how agents coordinated and oriented individual actions based on the establishment of rules and values that were drawn up in order to attain a specific objective or interest. The author stressed that certain rules imposed through pressures established formalism and rigid standards as though they were rituals.

Influenced by the works of Merton and also known as one of the precursors of the 'old' institutionalism, Selznick (1949) developed his analyses based on the specific concept of institutions, suggesting that public or private organizations could well be treated as institutions. The contributions of Selznick and Merton to the 'old' social institutionalism are related to the construction of a model for institutions with common characteristics, describing the functioning

of the processes in most bureaucratic organizations in ways that guide their members toward conformity while also examining the internal processes of a specific organization (Scott 1995).

In one of his best known works that is also considered as a milestone for the 'old' institutionalism, the book entitled TVA, Tennessee Valley Authority by Selznick (1949) was a case study on a US Government entity set up to foster regional development and generate electricity. This case study investigated what was known as a grass-roots policy, meaning that it worked jointly with the local population. In this study, the author also showed that: "in order to become established, the organization cannot depend only on diffuse support from those not directly involved in its work; its leadership must find support among local institutions and develop labor relationships that are well adjusted to the local situation" (p.20). Having analyzed the institutionalization process of the TVA, Selznick concluded that bureaucracy is an adaptive formal structure, with informal structures appearing within the formal organization that guide the behaviors of individuals in order to respond to outside stimuli.

The outcome of the TVA case study and earlier studies conducted by Selznick contributed to the 'old' institutionalism, laying the bases for an institutional model for interpreting organizations, concluding that they are subject to pressures from their social surroundings. Selznick (1949) inserted the term institutionalization as a process that occurs over time in organizations, reflecting their history, their interests, and their values. Organizations are viewed as social systems with objectives and procedures that tend to have values included in their practices in order to influence behaviors. This process is called institutionalization. The institutionalization process is related to the need for survival within the sphere of social action through adapting to the interests of these surroundings. This infusion of value produces an identity that is different from that of the organization. Within the institutionalization process, the

infusion of value into its tasks is a crucial element (Selznick 1957). The organizational structure is an adaptive organism that mutates in reaction to impulses from the outside environment. At the same time as strategic decisions are taken by leaders in order to adapt and define institutional values, the organizational structure also changes. Social life is examined through the various spheres that construct society and guide the behavior of individuals, creating symbolic systems and cultural rules that underpin social life (Scott 1995).

With regard to the institutional environment, 'old' social institutionalism considered this to be established or concrete. Although trying to explain the dynamics of the institutional environment through the creation of alliances and the inclusion of values in practices, among other aspects, this approach does not explain its construction. The active player in this setting is also considered as specific, but its evolution is not explained nor the aspects of its formation that might intervene in the formation of institutions (Selznick 1996).

Despite the effort to explain the dynamics of the institutional environment, 'old' social institutionalism not focused at that moment, efforts in understanding the genesis of the institutional environment. It will be up to the new social institutionalism, under the influence of psychology and sociology, research of the institutional environment.

The 'new' social institutionalism

It was around 1950 that institutionalists – strongly influenced by psychology and sociology – acknowledged the importance of analyzing institutional forms and the type of organizations that formed them. The shift from the 'old' to the 'new' social institutionalism is characterized by the evolution of rational and bureaucratized organizations where the quest for efficiency prevails, through the establishment of routines and procedures, constituting an efficient means of

controlling people whereby an organization that does not ignore behavior and assigns the importance of social aspects is already more flexible, offering more participative settings (Scott 1995). This change will characterize the difference between organizations and institutions, which will be dealt firmly by what is known as neo-institutional theory (DiMaggio and Powell 1991).

This aspect of the 'new' social institutional theory adopts the stance of social constructivism for analyzing organizations (Berger and Luckmann 1985). This standpoint is also supported by contributions from Meyer and Rowan (1991) to explain the symbolic roles of formal structures and the appearance of organizations. 'New' institutionalism tries to explain why organizations appear and evolve. In the social approach of the neoinstitutional theory, organizations are examined as value units that influence behaviors and are influenced by social aspects. In addition to resources and technical capacity-building, organizations require social acceptance and credibility in order to assure their legitimacy and their survival within the social setting. From the social and institutional standpoint, legitimacy is a condition of the organization, adapting to rules and laws, and the acceptance of its position. Legitimacy is not a resource to be deployed, but rather an element of symbolic value that demonstrates the position of the organization within its surroundings (Scott 1995).

According to Berger and Luckmann (1985) the institutional environment is constructed on social aspects. Social interaction occurs through the existence of symbolic systems that serve as a coded language that transmits shared meanings reflected in ideas and behaviors. Relationships of the individuals through their history construct institutions. According to DiMaggio and Powell (1991) the construction of the institutional environment is supported by the institutionalization process, which involves sharing concepts, values, and beliefs in certain

practices and behaviors by the actors in a specific group. In the initial stage of organizations' life cycles, organizations present diversity in terms of approach and form in their various fields, while becoming homogenized as the field becomes mature. Organizations sharing the same environment tend to have similar practices and become isomorphic with each other (Hawley, 1986).

According to DiMaggio and Powell (1991) we can identify three mechanisms through which isomorphic changes occur: coercive isomorphism, meaning the organization introduces changes in response to pressures from the surroundings within which it operates, with these pressures coming from society, governmental agencies, regulators, standardization organizations, customers, the competition, suppliers and others; mimetic isomorphism, when an organization imitates other organizations in order to reduce the level of uncertainty and seek adaptation; normative isomorphism, which is related to professionalization and changes in conditions and methods for controlling production and the legitimacy of the profession.

Isomorphism has crucial consequences for the organization, as it absorbed elements that are legitimized elsewhere and are not necessarily elements that further its own efficiency (Meyer and Rowan 1991). The organization also includes external criteria for defining the values of structural elements and external dependence reduces uncertainties while maintaining stability. Institutional isomorphism fosters the success and the survival of the organization, as the inclusion of outside elements enhances the commitment of its employees and endows the market with dynamism. Still from an institutional standpoint, institutional isomorphism contributes to the evolution of the organization in terms of its language and labels. The organization begins to adopt certain linguistic expressions in order to define objectives, procedures, and policies.

DiMaggio and Powell (1991) drew up isomorphic change predictors based on terms related to structure, behavior, and processes.

According to Scott (1995), the basis of the institution is its social aspects, consisting of cognitive, normative and regulatory dimensions, with elements that tend to endow it with stability, closely linked to outside aspects (society, the government, regulations, suppliers, customers); they are “multifaceted” performing social activities. Institutions tend to shape behaviors and establish moral and cultural rules. The key elements of institutions are directives, cultural aspects, rules, and any other element that intervenes in the social behavior of players. Types of behavior within the institution tend to be controlled and curtailed by moral, legal, and cultural aspects that impose constraints acknowledged by social players. The characteristic feature of the institution is to guide behavior for performing actions in order to maintain order and stability.

Some authors such as Meyer and Rowan (1991) use the term ‘formal organizations’. Formal organizations have offices, departments, job positions, and programs, meaning elements that are directly linked to the policies and goals of the organization where the activities are coordinated in a rational manner. The essence of the modern bureaucratic organization is based on rational aspects and interpersonal relationships that are linked to its goals. Formal organizations may be considered as systems with coordinated activities that interact with the environment, becoming more complex according to their exchange networks. Professions, policies and programs are generated together with products and services, involving rational aspects. Organizations are directed towards absorbing new practices and procedures defined by rational work parameters, in compliance with the institutional rules of society.

Institutional aspects that are reflected in products, services, techniques, policies and others are like “powerful myths” within organizations. Institutional rules frequently clash with efficiency criteria. In order to coordinate and control activities striving for efficiency, the organization must often yield some of its “myths”, which may tarnish its image and undermine its legitimacy. Rationalized forms of structures arise within two contexts: prompted by local demands for structure development and the formation of relationships for controlling and coordinating activities. These structures contribute to the efficiency of organizations and offer comparative advantages over less efficient competitors. Another context would be the interconnectivity of social relationships, meaning the institutional context created by society. Organizations in general are involved with relational and institutional aspects that control and coordinate their activities.

The programs drawn up by formal organizations are institutionalized, and the rules define the functions of the business according to the goals of the organization. The functions of departments such as sales, advertising, finance, production and others are established in order to respond to a society and an institutionalized environment. Within the institutionalization process, rules are altered and new regulations are introduced in order to respond to new social demands. Organizations that include rationalized and legitimized elements in their formal structures maximize their legitimacy and enhance their resources, extending their capacity for survival.

When referring to the institutional process, DiMaggio and Powell (1991) used the term organizational field, describing this as the acknowledged area of institutional life, together with relationships with key suppliers, consumers, regulators and other organizations. According to the authors, the organizational field exists only if it can be defined institutionally, for which four

key elements are required: increased interaction among institutions in the organizational field; the appearance of dominating structures and patterns of inter-organizational coalition clearly defined; increase in the amount of information that organizations must handle within a field; and the development of mutual awareness among the participants involved in a common business.

For Scott (1995) the old and recent approaches differ as more modern sociologists do not consider only distinctions based on tiers (individuals, groups, communities, societies etc) but also the division of social life into spheres or arenas (stratification, policies, economics, religion) that are dictated by regulatory aspects. In this approach institutions are felt as “congealed networks” of concepts, practices and values in specific areas of knowledge that are habitualized through social-life interactions, and thereby become almost fungible with cognitive frames (Beckert 2010), as illustrated by the work developed by Powell et al. (2012), in which the authors focus the study of the organizational and institutional genesis in the context of the development of regional life science clusters in the United States.

POSTSTRUCTURALIST CONTRIBUTIONS OF GIDDENS AND BOURDIEU TO THE INSTITUTIONALISM

Contributions of Anthony Giddens

The main contributions of Giddens to organizational studies are in his Theory of Structuration. From a dynamic perspective, this author sought to understand the links between the action of individual actors and the impact of the institutional structure on them, establishing encouragement or difficulty of this action and, simultaneously, enabling changes in the activity of individuals and society and, consequently in the institutional structure. The Structuration

Theory is based on the proposition that the institutional structure is at the same time, determinant and determined, facilitative and coercive, because of the ongoing dynamic relationship between structure and agency (Giddens 1984, 1986).

Giddens aims to capture the spatial relationships inherent in social interactions, human action relating to the institutional structural dimension. In this relation, action and structure presuppose to one another. Understanding this relationship requires a review of the concepts associated with each term. The agency is the individual, understood as reflective agent. The structure is understood as a set of rules (institutions), consisting of general principles that underlie the systems of signification, legitimation and domination (Barley and Tolbert 1997). Designed as a property of social systems, the structure is contained in practices reproduced in time and space.

Although institutions are understood as reciprocal typifications of concepts, practices and values that are habitualized, similarly in the new sociological institutionalism, the action of the individual producing unintended results in the interaction with the structure is construed by Giddens as giving power to the individuals. Thus, even a person in a position of subordination in a social relation, since being involved in a relationship gives him some power over the other, making use of the resources implicated in the generation of action he or she controls. The power, therefore, is related to the transforming capacity (concerning the action) / dominator (concerning the structure).

Contributions of Pierre Bourdieu

Bourdieu starting from anthropological and sociological research also sought to synthesize perspectives that emphasize the subjectivity and the institutional objectivity, developing his analysis from two fundamental concepts, respectively: habitus and social field

The concept of habitus seeks to explain the relationship between the practices of agents and the institutional objective structures (Bourdieu 2005, 2010), being understood as a subjective system (not individual) of internalized structures, schemes of perception, conception and action that are common to a social group. The concept of social field refers to spaces arranged in positions that can be analyzed independently of the characteristics of its occupants. Despite the distinctive elements of each field (such as the field of philosophy, politics, religion etc), there are general laws of fields. Thus, social fields are provided with specific elements and universal mechanisms, being its institutional structure defined from the relation of forces between interacting agents or institutions within the field. The strategies established in a field are the result of an unconscious relation between the habitus of groups in the field.

It is important to note that, although different, these concepts are not dissociated in Bourdieu. According to the author, the social action occurs through the interaction between social agents imbued with a habitus that reflects its path and the social field. The richness of Bourdieu's work on organizational studies is the dialectical relation between habitus and social field. As highlighted by Mutch et al. (2006), many organizational studies, particularly in the social neoinstitutional approach, favor the construct of social field instead of habitus. This dissociation implies the absence of intermediation between the macro and micro levels provided in the Bourdieu's analysis by the concept of habitus.

THE INSTITUTIONAL APPROACHES IN PERSPECTIVE

Analyzing the economic and sociological perspectives of institutionalism originating we observe that they have different goals. The economic approach strives to explain the economic dynamics, through the existence of institutions in an attempt to include in economic thinking an analysis of social and cultural factors that influence the economy. The sociological approach incorporates the institutionalization process and the importance of sharing values and beliefs in pursuit for legitimacy, which in this approach vision explains partially the surviving and performance of organizations.

The works of Veblen, Commons and Mitchell in the 'old' institutional economics were pioneers by recognizing institutions as factors that affect the economy. However, it was from the theoretical contributions of Coase, Williamson, North and Hodgson, among others that institutions came to be seen as efficient solutions. Similarly, in the 'old' institutional sociology, Selznick's work, influenced by Merton contributed to the analysis of organizations as social systems whose practices store corporate values that guide behaviors in order to achieve organizational goals.

The 'new' institutional economics attempts to explain economic performance and refers to organizational efficiency by managing transaction costs. Institutions play a role in sustaining the social structure, increasing productivity, and reducing costs in order to shape economic performance. They control the creation of monopolies, blocking the entry of competitors, establishing criteria for the redistribution of property rights and the earnings and profits between organizations (North 1991). From this standpoint, it is felt that individuals act on a given institutional environment. This emphasizes a difference point between the institutional economic and social approaches. Under the 'new' economic approach, the construction of the rules,

regulations and the cultural and social aspects under which institutions emerged is not explained. In fact, in the “state of Nature”, institutions are elements that are assumed a priori (Field 1981; Hodgson 1998). In contrast, the ‘new’ institutional social approach strives to explain the construction of the institutional environment, which it considers to be subjective. The environment is defined as the beliefs of the agents regarding the objective universe and the relationships among its components, being built up through social actions. Institutions guide behavior and action, maintaining order and stability. The performance of organizations is partially explained by the quest for legitimacy (Scott 1995).

There are also confluences between the ‘new’ institutional approaches. The cultural aspect is considered by both standpoints as a factor influencing the institutional environment. According to North (2005), culture influences social capacities and is reflected in attitudes in terms of economic opportunities. Politics, investments in education and structural characteristics are influenced by culture. This is why North (2005) assigned institutions the capacity to influence and distinguish economies among countries. For social institutional theory, culture is considered one of the key elements that constitute the institutional structure. Behaviors within organizations are controlled and curtailed by moral, legal and cultural aspects that tend to impose constraints which are acknowledged by social players (Scott 1995).

Another confluence is related to the cognitive aspect. Although the ‘old’ economic institutionalism does not acknowledge this, the ‘new’ economic institutionalism is firmly based on limited rationality. For the ‘new’ economic institutionalism, information is asymmetrically distributed, meaning that not all agents have access to the same information. Some have access to insider information. Through this, cognitive capabilities are not found at the same level among all agents, which characterizes opportunistic behavior. Neo-social institutional theory is

also based on cognitive aspects and limited rationality, although its analytical foundations are built up from a different standpoint. For the social approach, agents have different construals of symbols, meaning that they do not receive information in a symmetrical manner. Thus, in brief, the ‘new’ institutional economic approach is related to aspects of efficiency linked to institutions, while the ‘new’ institutional social approach is related to aspects of social interactions that constitute and foster the development of institutions.

Regarding poststructuralist approaches, the main difference with other institutional approaches is the concept of duality of the structure, which overcomes the gaps between dualisms such as subject-object or individual-society. The duality of the institutional structure is related to the essential recursiveness of social life manifested in mutual dependence between agency and structure. In other words, although the human social systems are not created by human agency, they are continuously rebuilt by them in a ongoing processing. In that sense, the structure is considered, the same time means and product of reproduction of social practices. It is worth noticing the confluence relatively to the cognitive aspect between poststructuralist approaches and new institutionalisms in economics and sociology. Table 1 summarizes the main features of each institutional approach.

< Insert Table 1 here >

RESEARCH OPPORTUNITIES ON INSTITUTIONAL THEORY

In recent years, the institutional approach has grown in status and influences, significantly expanding its research agenda. Based on this review, it is possible to highlight that the search for complementarity leads to better understanding of the institution as a common element between

the different perspectives of the institutional approach. It is also possible to identify key areas for future research.

First, the ideas of Granovetter (1985, 1992) were a turning point in the quest for complementarity between the economic and sociological institutionalism, comprising an attempt to broaden the understanding of the concept of the institution through the idea of embeddedness in various ways – cognitive, cultural, structural and political. Although an increasing number of publications on the topic, the concept of embeddedness is still an open frontier to new studies, mainly when regarding the integration of network, institutional and cognitive levels (Fligstein and Dauter 2007; Fourcade 2007). There is scope for more research into the relationship and integration between these levels. Beckert (2010) offers a discussion of the interrelationships between these three types of structures and their role in the change of market fields.

Second, although New Institutional Economics has developed and expanded its scope in recent decades, there are still many unfinished issues, refinements, extensions and new applications in progress. For the new institutional economics, the issue of power is still sidelined to discussions of efficiency (Dequech 2003). Furthermore, we believe that there is scope for further development within the Transaction Cost Economics (TCE), regarding the hybrid organizational forms, such as alliances, joint ventures, franchises, formal and informal networks (Ménard 2004, 2006). It is not clear yet why hybrids insist to stay in markets such as pharmaceuticals, software, commercial aviation, and others, although the theory suggests that they should not due to their transaction costs. The control and coordination mechanisms of hybrids and their relation to transaction costs are an open scope for future research.

Besides, the TCE approach has been criticized due to the static nature of the resulting analyses and because it offers few explanations for the organizational heterogeneity related to

differences in performance (Macher and Richman 2008). By the other side, the literature on capability-building has been considered the theory that explains precisely this heterogeneity and differences in performance, although criticized for its inability to explain the origins of the differences on capability-building activities in organizations. Despite the promise of integration of these two approaches (Williamson 1999), these two trends in literature remain juxtaposed (Argyres et al. 2009), opening up scope for further research into the relationship between routines, capabilities, and transaction costs.

Third, the advancement of the institutional approach has expanded the firm's analytical perspectives that can be described from different perspectives: technological, contractual and capability/ knowledge. Understanding the agency, however, remains uncertain. This is one of the most significant current issues in the development of institutional theories (Campbell 2004; Beckert 2010; Streeck and Thellen 2005), opening up scope for further research. The weak equilibrium between the management of internal processes and changes in the institutional environment is a challenge for strategic management. The idea that individuals or organizations could act to change the institutional environment had yet arisen in the Resource Dependence Theory (Pfeffer and Salancik 2003) and in the Population Ecology (Aldrich and Ruef 2006) as a response to the perceived failure of institutional theory to deal with agency. Recently the study of the institutional work, proposed by Lawrence and Suddaby (2006), have shifted the focus of new social institutionalism from the macrodynamics of fields to how individual and collective actors create, maintain and disrupt institutions, leading to institutional stability as well as change either in the intraorganizational or external institutional environment level (Lawrence et al. 2011), as illustrated by the work developed by Powell et al. (2012). Another effort to work on the structure/agency dynamics is the theory of fields proposed by Fligstein and McAdam (2012),

motivated by the fundamental concern with order and change in institutional fields. The authors' theory for social change in the intraorganizational or external institutional environment provides an organizing framework, establishing the role of actors, state, politics and external fields in this process.

Fourth, regarding the limitations of institutional approaches for coping with the structure-agency dynamics, we suggest that there is scope for further multi-paradigmatic research in order to put light on the relationship between agency and structure, applying the interdisciplinarity. There are few initiatives using the complementarity among the diverse institutional approaches. Examples of this effort are the works of Delbridge and Edwards (2013), Holmes et al. (2013), Conney (2007) and Feldman and Pentland (2003). Delbridge and Edwards (2013) applied critical realism to better understand the interdependencies between actions, contexts and institutional logics. Holmes et al. (2013) examined the effects of informal and formal institutions on countries' inward foreign direct investment. Authors' theoretical framework integrates the new institutional approaches from sociology and economics for defining, respectively, informal and formal institutions. The results suggest that country's informal institutions shape the formal institutions, which in turn, affect foreign managers' cognitive frame, which seek to invest in countries with institutional environments that allow their firms to leverage specific advantages. Conney (2007)'s work, based on the Giddens' Structuration Theory and on the theoretical support of the New Institutional Economics, sought to analyze the process of institutionalization from agency's perspective. The author pointed out the relationship between three levels of analysis: macro (institutional), mezzo (organizational) and micro (intraorganizational). Feldman and Pentland (2003) also used the Giddens and Bourdieu's contributions to propose a reviewed ontology of organizational routines based on the interaction

between its performative (concerning the agency) and ostensive (relating the institutional structure) dimensions.

CONCLUSION

The purpose of this paper was to indicate the contact points and the differences between the economic and sociological approaches of institutional theory, expanding through this multidisciplinary approach the scope and application of institutionalism in the study of organizations. Despite the advances experienced by the institutional approaches in recent decades, we argue that the pursuit of interdisciplinarity, regarding the institution construct that is common to all approaches, lead to a greater understanding of the relation between structure and action, through highlighting the ontological and epistemological foundations of each approach. In spite of the differences between these approaches, especially apparent in their objectives, they preserve an essential element in common: the importance accorded to the institution and the institutional environment.

This study highlighted that although all institutional approaches have been striven to explain the construction, maintenance and disrupting of institutions, only new social institutionalism and poststructuralist institutional approaches have successfully created a theoretical framework to cope effectively with the structure-agency dynamics. Nonetheless, the former has been focusing the macrodynamics of fields, relegating the relation between the institutional structure and individual and collective actors. Otherwise, through the analysis of the relations of co-evolution between agency and institutional structure, poststructuralist authors lighted up a new perspective of dynamism in the process of institutionalization of organizations' practices, centering the individuals in this process. These approaches seek to explain the

relationship between the micro and macro levels of analysis in the relationship between structure and agency, highlighting its dynamic, changing nature. Along these lines, these authors have expanded the scope of institutional theory.

Finally, it is worth noting that this review emphasized that the interdisciplinarity via multi-paradigmatic approaches can significantly contribute to the expansion of the possibilities of studying organizations, appropriating the complementarity among the diverse institutional approaches, with great potential for contributing to strengthening the theoretical development of the institutional approach as a whole.

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Table 1. Institutional Approaches

	Economic Institutionalism		Sociological Institutionalism		Post Modern Institutionalism
	Old	New	Old	New	
Origins	Late XIX century	1960s	1940s	1950s	1970s
Sources	Thorstein Veblen, John Commons and Wesley Mitchell	Ronald Coase, Oliver Williamson, Douglas North	Merton and Selznick	Berger and Luckman ; DiMaggio; Powell; Fligstein	Bourdieu and Giddens
Ontological Assumption	Process vision.	Substantive vision of reality.	Substantive vision of reality.	Substantive vision of reality.	Process vision.
	Concrete reality.	Concrete reality.	Concrete reality.	Subjective reality.	Subjective & concrete reality (duality of structure).
Epistemological Assumption	Historical process. Evolutionary.	Exchange economic transactions between organizations. Legal, regulatory and contractual environment.	The institutionalization process reflects the organization history, their interests and their values and is articulated by managers in the formal structure, especially by the top management. Organizations are viewed as social systems with objectives and procedures that tend to have values included in their practices in order to influence members' behaviors.	Institutionalization & legitimation processes. Isomorphism (based on institutionalization & legitimation processes) constitutes a constructive process that forces a unit within a population of companies to become similar to other units facing the same set of environmental conditions.	Institutionalization & Domination & legitimation processes.

Definition of institution	Integrated complexes of customs and routines (habits).	Values formed by human interaction, referring to property rights, legal agreements, rules, customs and conventions.	Set of values about the functioning of the processes in organizations in ways that guide their members toward conformity. Public or private organizations could well be treated as an institution.	Reciprocal typifications of concepts, practices and values that are habitualized via social-life interactions, providing templates for action, cognition, and emotion, noncompliance with which is associated with some kind of costs.	Reciprocal typifications of concepts, practices and values that are habitualized via social-life interactions, providing templates for action, cognition, and emotion, noncompliance with which is associated with some kind of costs.
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Source: elaborated by authors.