

equally important if the teaching of business ethics is to have any impact. There is an urgent need to share experiences in this area so that business students can have the advantage of a more ethical base to their management education.

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***The Institutional Construction of Organizations: International and Longitudinal Studies***

*Edited by W Richard Scott and Soren Christensen, Sage Publications, New Delhi, 1995. Price \$ 52/- (cloth), \$ 24.95 (paper)*

**I**nstitutional theory is one of the many theoretical perspectives in organisational studies

that have emerged since the late 1970s to challenge earlier organisational theories, particularly the contingency theory and rational decision making. While many organisational theorists view institutional theory as just another perspective that draws attention to selective aspects of organisations, its proponents believe that it can provide a framework to integrate the other perspectives and thus provide a more complete understanding of organisational phenomena. The book, *The Institutional Construction of Organizations: International and Longitudinal Studies*, edited by W Richard Scott, one of institutional theory's strongest proponents, and Soren Christensen, provides a mix of theoretical and empirical papers that address some of the earlier criticisms of the perspective and also provide a more evolved form of the theory.

By distinguishing between two ideal types of environments - technical and institutional, institutional theory has conceptualised the external elements that impact on organisations and organisational processes. According to Scott's introduction in the book, "In contrast to most of the earlier perspectives, which emphasize the importance of materialist forces—technology, resources, production systems—institutionalists call attention to the role of ideational forces—of knowledge systems, beliefs, and the rules in the structure and operation of organizations."

In a technical environment the technologies of production of a product or service are well de-

veloped and organisations operating in these environments can be evaluated based on their outputs. On the other hand, the output of an organisation in an institutional environment cannot be easily evaluated so it acquires its necessary resources by conforming to the norms of institutions.

Institutions consist of regulative, normative, and cognitive elements that influence organisational phenomena through cultures, structures and routines. As a regulatory system, an institution may coerce an organisation into complying with its rules and laws that are enforced through elaborate governance mechanisms. The influence of this form of an institution is most explicitly observable. An example of such an institution is SEBI. As a normative system, an institution may drive organisations to conform to some norms of behavior that are valued in and expected from society. The effect of such an institution is not explicitly visible although individuals in organisations may be aware of the pressures. For example, there may be an expectation that large commercial organisations, in addition to doing their regular business, also support art and sports. As a cognitive system, an institution controls the "conception of what the world is and what kinds of actions can be taken by what types of actors". Cognitive institutions affect organisation behaviour without the people concerned being explicitly aware of the influence. For example, there may be a generally accepted belief, without explicit deliberations, that re-engi-

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neering efforts have to be initiated by external consultants. The relative importance of the three elements in providing an institutional explanation of organisational phenomena will vary with the situation. In short, institutional theory suggests that the influence of these elements, individually or collectively, makes rational explanations of organisational behaviour, at best, incomplete, and at worst, totally incorrect.

The first part of the collection called, 'Accounting for Institutions', deals with issues related to the origins and growth of institutions. By examining the process through which institutions develop, this section tries to address the criticism of earlier institutional literature which focused mainly on the response of organisations to institutions. The first paper by Peter Abell, provides a critique of the institutional perspective and suggests ways in which it can be modified to better accommodate the rational choice perspective. The paper by Lant and Baum highlights the role of cognitive institutional elements as managers identify their competition in the hotel industry. It suggests that the characteristics of hotels that are seen as competitive elements to be monitored are socially constructed rather than 'objectively' determined. However, the third paper by Suchman really demonstrates the power of institutional explanation of organisational phenomena. It tracks the development of contractual norms in venture finance in Silicon Valley to demonstrate the impact of cognitive elements, rather than any ra-

tional basis, for their development. The author documents the process through which "challenges in venture capital finance had become cognized, named, categorized, evaluated, and theorized" to produce standardised venture financing practices.

The second section, 'Organizational Adaptation to Conflicting and Shifting Institutional and Technical Environments', consists of papers illustrating the role of institutional processes in the history of three high profile organisations in Denmark. Christenson and Molin chronicle the macro-sociological processes in wider Danish society that 'shaped and defined not only the problems, solutions, and participants, but also the interests that have determined the evolving shape' of the Danish Red Cross. Mouritsen and Skaerbaek provide a historical account of the role of two institutions, Art and Accounting, and their conflicting norms on the activities and governance mechanisms of the Royal Danish Theatre. Finally, Borum and Westenholz describe how the Copenhagen Business School established in 1917 has had to deal with five sets of institutional pressures over its lifetime to acquire and retain societal legitimacy to continue operations.

The next section, 'Institutional Effects in Firms and Fields', consists of two papers. Knudsen's paper tries to present a basis for the integration of contemporary understanding of organisations from an economics perspective, in particular the 'Competence View of the Firm',

with a sociological view of the firm as represented in Selznick's (1957) book called 'Leadership in Administration: A Sociological Interpretation'. Meziar's paper, like Suchman's in the first section, illustrates the institutional roots of apparently rational accounting practices. The paper examines the evolution of the practice of recording investment tax credit on the income statement for financial reporting purposes. It demonstrates how regulative and normative forces influenced an organisation's choice of deferral method or flow-through method to report the investment tax credit.

The last section, 'Institutional Effects on Industries', consists of papers which provide institutional explanations of organisational phenomena across four different industries. Thornton's paper examines the acquisitions waves in the US College Publishing Industry to argue that organisations are embedded in organisational fields that are embedded in larger cultural systems. As a result, corporate strategy, in particular acquisition waves, are the result of cognitive and normative institutional elements at these two levels in an organisation's environment. Garud and Kumaraswamy illustrate the institutional influences in the evolution of technology by examining the competition between Complex Instruction Set Computing (CISC) and Reduced Instruction Set Computing (RISC) technologies. Karnoe's paper studies the success of the Danish industry relative to the US industry in developing commercially viable wind turbine technology. He ar-

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gues that innovative practices occur within institutional constraints, and explains the outcome of innovative efforts in terms of the ability of the institutional environment to support the nature of activity required. Dobbin's paper suggests that economic principles that are assumed to be based on 'natural' laws are actually products of social construction that reflect the prevalent institutional environment. He argues that researchers should be "searching not for the regularities in economic behavior that reveal fundamental economic truths, but properly for the institutional origins of behavior patterns and the processes by which actors glean general laws from those practices". He illustrates his arguments by a historical analysis of the railway industry in the US.

The collection of papers in this volume will go a long way in establishing the credentials of institutional theory as a domi-

nant perspective in the field of organisational studies. Scott's introduction aids in understanding the multi-faceted aspects of institutional theory. The conceptual pieces by Abell and Knudsen address the interface between institutional theory and mainstream perspectives. The empirical papers, both qualitative and quantitative, provide well grounded support to institutional arguments, and also address the problem of agency in the development of institutions. The conclusion (by Scott and Christensen) provides a useful synopsis of the significant contributions of each paper, and also highlights the salient linkages across the papers.

The book should be read by anyone interested in understanding organisational phenomena. Most organisational scholars are aware that conceptualisations of organisations, particularly those based on 'rational' explanation of 'objective' reality, provide

incomplete descriptions of the phenomenon they study. The book addresses issues that supplement these conceptualisations to provide holistic descriptions of these phenomena recognising the societal and cultural domain in which they are embedded. This is not a book that someone looking for easy recipes to implement in organisations may find particularly interesting. However, this does not mean that the information presented in this volume has no relevance to the practising manager or consultant. It only requires that the reader be prepared to think while reading.

— Abhoy K Ojha

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