

## Cultural Models of Organization: The Social Construction of Rational Organizing Principles

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Ever since the rise of modern organizational forms in the mid nineteenth century, social scientists have treated organizations and bureaucracies as instrumental social structures that are little affected by culture. Most organizations were thought to conform to general rules of efficiency rather than to local cultural dictates. This view resulted from a tendency to differentiate instrumental realms of social life, like science, economics, and management, that are oriented to objective "natural" laws from cultural realms of social life, like art, religion, and education, that are oriented to subjective "social" principles (i.e., values and norms). In organizational theory, this changed in the late 1970s when the "new institutionalists" described rational management theory and practice as myth and symbol, and began to explore the social construction of rationalized organizations.

### **Weber and Parsons: Why Organizations are not "Culture"**

One reason early organizational theorists did not think of organizations as "culture" is simply that the modern worldview presents instrumental institutions as nonsymbolic, on the principle that they reflect universal economic laws rather than local social customs. Another reason is that organizational theory has been a hybrid between a theoretical social science and an applied practical discipline; consequently practitioners pursue science-like laws and prescriptions. Nonetheless, it is difficult to understand why social

scientists largely failed to see that rationalized organizational practices are essentially cultural, and are very much at the core of modern culture precisely because modern culture is organized around instrumental rationality. By neglecting rationality as a cultural construct we have acted the part of indigenous anthropologists who treat every aspect of social life as cultural *except* the elaborate, purposive customs designed to win the deity's help with the crop yield and fertility.

Max Weber's work illustrates the tension between the modern tendency to see rationality as acultural and the sociological tendency to see all practices and understandings as part of culture. Weber was caught between an Enlightenment vision of rationality as a unified canon with a singular progression of knowledge, and the methodological precepts of *verstehen* and value-freedom which suggested that all social practices are indeterminate and socially produced. The Enlightenment vision led Weber to interpret rationality in terms of a single ideal-type. He described rationalized bureaucracies as rule-governed, hierarchical, and specialized; offices as appointed, salaried, and situated in fixed career lines (Weber 1978, v. II: 956-63). These universal principles were taken to suggest that rational organization conforms to transcendental laws rather than emerging from idiosyncratic social practices. By contrast, Weber's more general exhortations about methods and social customs suggested that no universal social laws could possibly exist. In his works on religion, Weber linked the origins of instrumentally rational accumulative customs not to a set of universal economic laws that dictate the parameters of efficiency, but to the happenstance of Protestant religious evolution in the West. In his writings on sociological analysis, Weber (1978, v. I: 4) insisted that all social behavior is indeterminate and that social practices can be understood exclusively through interpretation: "In no case does [meaning] refer to an objectively "correct" meaning or one which is "true" in some metaphysical sense." Even rationalized social practices, such as those of modern bureaucracies, can only be interpreted subjectively. Rationally purposeful action is easily understood not because it is oriented to an objective standard of rationality, but because the actor "tries to achieve certain ends by choosing appropriate means on the basis of the facts of the situation, as experience has accustomed us [scientific observers] to interpret them" (Weber 1978, v. I: 5, emphasis added).

In extending Weber's work, Talcott Parsons (1951) explored these issues but ultimately constructed a theoretical framework that, rather than capitalizing on this contradiction between the seeming universality of rationalized precepts and the indeterminacy of social practices, divided the social world into rigid categories of instrumental action (adaptation and goal attainment) and cultural action (integration and latency). Parsons' theoretical contributions have been eclipsed, but this schema has had a lasting impact because the dividing line Parsons drew between the instrumental and the cultural reflected the modern worldview. One result has been the increasing balkanization of the social sciences, so that economists, and recently political scientists, organize their arguments about instrumentality around mathematical formulas that are thought to capture the asocial, acultural essence of universal economic laws, while anthropologists and sociologists organize their arguments about culture around empirical evidence that is thought to capture the non-rational, historical essence of localized social practices.

The effect of this analytic distinction on academic organizational theory was palpable. Early writers such as Frederick Taylor (1911) and Henri Fayol (1949), who were consultants or managers themselves, developed a body of theory that was decidedly instrumental in purpose. Then Parsons' disciples spun out rationalist abstract theories of organization, taking it as an article of faith that instrumental organizational practices were oriented to some higher-order set of universal principles. The task of managers, and organizational theorists, was to seek out and codify those principles just as the task of physicists was to seek out and codify the principles that governed the physical world. The presumption that the central characteristics of organizations were overdetermined by transcendental laws of rationality prevented analysts from exploring the cultural aspects of rationality within organizations. Analysts built on Weber's list of characteristics of rational bureaucracy, and sought to specify the conditional variables that increased the efficiency of formalization, hierarchy, and differentiation.

By the 1940s scholars were already challenging the under-socialized rationalist conception of organizations. However, their challenges took the form of internal critiques, in that they either suggested that the informal side of organizational life had been neglected, without undermining existing ideas about the formal, rational side, or explored what happens when the goals of rational

actors who inhabit organizations do not jibe with the formal goals of the organizations themselves. Philip Selznick and his students challenged rationalists on both grounds by insisting that much important organizational activity is not scripted by formal rules, thus bringing to light the integration and latency side of rationalized organizations in Parsons' terms, and by showing in a series of empirical studies that explicit organizational goals are often subverted by managers in pursuit of their own goals (Selznick 1949; Clark 1960; Zald and Denton 1963). Natural-systems theorists treated organizations as organisms that were highly motivated to survive even after their goals had been achieved, and emphasized the nonrational elements of behavior (Blau 1956; Gouldner 1959). Early Human Relations theorists had similarly argued that formal goal-oriented organizational practices may produce dysfunctional individual-level behaviors if they do not take psychology into account. These insights spotlighted the informal and cultural in rationalized, formal organizations. However, these studies served as exceptions that proved the rule that modern organizations are ultimately oriented to transsituational tenets of efficiency. They failed to question the origins of broad notions of organizational rationality, or suggest that rationalized managerial precepts are social inventions. In the case of Selznick's work, this was true largely because he focused on the intra-organizational processes that create idiosyncratic patterns of action rather than on the construction of collective practices at the interorganizational level. In a similar vein, more recent works on "corporate culture" attend to the charismatic dimension of formal organizations, focusing on the organization-specific ethics that win employee compliance and enthusiasm (Deal and Kennedy 1982; Peters and Waterman 1982; Martin, Sitkin, and Boehm 1985). This chapter focuses on works that question traditional assumptions about the nature of rationality in organizations by exploring how models of organizing are constructed *among* organizations, and hence pays less attention to the "corporate culture" literature which focuses on models that emerge within individual organizations (Barley, Meyer, and Gash 1988; Kunda 1991; Martin 1992).

While the psychological "natural systems" (Scott 1987a) approaches to organizations that proliferated in the management literature of the 1960s and 1970s did nothing to undermine key ideas about the nature of rationality in organizations, except to suggest

that rational managers should use Skinnerian or feel-good techniques to steer employees toward the organization's rational goals, neither did the new "open systems" approaches that paid greater attention to the organizational environment. Contingency theory (James D. Thompson 1967), transaction costs theory (Williamson 1975), population ecology theory (Hannan and Freeman 1977), resource dependence theory (Pfeffer and Salancik 1978) – each initially presumed that internal organizational structure was (rationally) responsive to environmental forces, and thereby took rationality to be unproblematic. Population ecology has since incorporated some of the insights of institutional theory (Hannan and Freeman 1989), but otherwise these approaches remain impervious to ideas about the role of culture.

### **Organizations as Culture**

The rationalist approach had generated a series of intellectual reactions among students of organizations. Early analysts such as Melville Dalton (1950) and Donald Roy (1952) highlighted contradictions between formal structure and workers' actual practices. Neo-Marxists argued that organizational practices were principally driven by labor control and surplus expropriation rather than by efficiency (Braverman 1974; Burawoy 1979; Edwards 1979), opening the door for further challenges to the abstract efficiency of common organizing principles. And a variety of scholars had made normative and intellectual challenges to organizational rationality, including those in the Human Relations school; Selznick and the early institutionalists; both Blau and Gouldner in their emphasis on the informal; and Douglas McGregor (1960) and Chris Argyris (1962) in their emphasis on psychology and self-esteem.

In 1977 two articles from what came to be called the neo-institutional perspective launched a more systematic, cultural critique of rationalist approaches to organizations. John Meyer and Brian Rowan's "Institutionalized organizations: formal structure as myth and ceremony" treated rationalized organizational principles as symbols of modernity and efficiency, rather than as acultural instruments of modernity and efficiency. Lynne Zucker's "The role of institutionalization in cultural persistence" explored the micro processes surrounding the construction of modern, rationalized,

organizational practices. These pieces stressed the semiotic side of organizational practices, and hence the cultural dimension of the instrumental types of behavior that the Parsonian schema had dubbed "not culture." These formulations had little in common with the new institutionalism in economics and with either statist or "positive theory" variants of "new institutionalism" in political science (but see Scott 1992).

These works turned the prevailing rationalist approach to organizations on its head by arguing that supposedly universal precepts of organizational efficiency are simply abstractions from social practices that emerged for complex historical reasons. The project of rationalized, scientific, social systems is to glean universal social laws from experience and apply those laws to the pursuit of collective goals. Neo-institutionalists insisted that understanding the social processes surrounding this project is the work of organizational sociologists.

The roots of this social constructionist approach are found in the social phenomenology of Alfred Schutz, and in Peter Berger and Thomas Luckmann's (1966) *The Social Construction of Reality*, which challenged realist approaches by arguing that rationalized social and economic laws are subjective social phenomena that are *derived from* experience rather than objective natural phenomena that are *revealed through* experience. At its core, this phenomenological view depends on a sociology of modernity that takes rationality not as the "end of history," but as one in a series of institutionalized worldviews. These works did not prescribe absolute cultural relativism or "deconstruction" as a means to transcend the limits of positivism, as humanist challengers of the precepts of modernity are wont to do. However, they did challenge the teleological nature of social-scientific approaches to modernity which presume that we are in the midst of a linear progression toward enlightenment about the true nature of the modern universe. By suggesting that instrumental rationality is just one in a series of constructed meaning systems, alongside mysticism, religion, and secular philosophy, the phenomenological approach to modernity problematizes foundations of rationality that most social scientists thought they did not have to explain. Not only rationality itself, but individualism, the nation-state, interests, science, economics, and the whole Durkheimian complex of modern institutions are seen in a different

light if we take instrumental rationality to be problematic precisely because it was not the inevitable culmination of history. In other words, phenomenologists presume that instrumental rationality emerged for identifiable social and historical reasons that merit examination, rather than because, as a meaning system, it more accurately represents the nature of reality than mysticism, religion, or philosophy.

The new cultural approach to organizations, then, is embedded in a larger intellectual project spanning several disciplines that seeks to explain, sociologically, the emergence of a wide variety of modern institutions and the particular laws that are thought to govern those institutions. How did the modern system of nation-states emerge (Meyer and Hannan 1979; Thomas and Meyer 1984; Krasner 1993; Ruggie 1993), and how did nation-states' particular rationalized policy strategies arise (Dyson 1983; Hall 1993; Dobbin 1994)? How did individualism come to be so central to modernity, and how did citizenship arise as an institution to link individuals to nation-states (Anderson 1983; Ashcraft 1986; Watkins 1991; Soysal 1994)? How does labor become commodified (Hobsbawm 1968) and how does life itself come to be given particular economic value (Zelizer 1979, 1985)? How do economic laws become constructed and institutionalized over time (Veblen 1904; Commons 1934; White 1981; Granovetter 1985; Zelizer 1988)? How did science, and scientific methods, arise in their current form (Wuthnow 1980), and how are particular scientific precepts constructed (Bloor 1976; Knorr-Cetina 1981; Latour 1992)? How does knowledge in nonscientific academic realms become consecrated (Lamont 1987)? Finally, how did the formal organization come to eclipse all varieties of informal social organization (Perrow 1991a), and how did particular managerial precepts emerge? Neo-institutional approaches to organizations are part of a much wider intellectual endeavor that problematizes modernity, and questions the social origins of the whole constellation of institutions and at the same time seeks to grasp *not* the universal laws that generate social practices, but the social practices that generate universal laws and, in organizational theory, attendant management prescriptions.

History has produced an ideology and social order that creates three, embedded, levels of actors – the individual, the organization, and the society. Each is an abstraction and at the same time

a reification, and the three are nested in ways that make them practically and conceptually inseparable (Friedland and Alford 1991: 242). One outcome of the historical construction of the society, or nation, as the highest-order collective actor is great uniformity among organizations at the national level; indeed great uniformity can be found among instantiations of any sort of instrumentality at the national level. This is not to say that regional organizational cultures are rare, but that modernity poses national-level "imagined communities" (Anderson 1983) as the proper level of intersubjective agreement about the nature of reality. Among organizations another key level is the "societal sector" (Scott and Meyer 1983) or organizational "field" (DiMaggio and Powell 1983; Scott 1994), consisting of the organizations in an industry and in adjacent positions (e.g., suppliers) or similar positions (e.g., kindred industries) that serve as a reference group – that organizations compare themselves to in assessing their own procedures and structures. Those fields have increasingly transcended international boundaries (Scott 1994) while at the same time the growing elaboration of universal rules of organizing tends to break them down so that sector and nation become irrelevant to managers (Meyer 1994).

Intersubjective agreement is key to the sustenance of cultural forms, for, "Social life is predictable and orderly because of shared role definitions and expectations, the authority of which rests in a shared conception of social reality" (Scott 1992: 19). The contention that intersubjective agreement is the foundation of local social practices is readily accepted by the students of societies and institutions that do not operate on strict principles of instrumental rationality, such as the pre-modern Balinese state (Geertz 1980) or even charismatic American sales organizations (Biggart 1989). In Durkheim's totemic societies, where natural symbols infuse all kinds of social practices and give meaning and order to social life, we readily recognize that different totems will be adopted by different groups, but that once adopted those totems will be represented in a wide range of social practices in each group. The circumcision mat inscribed with the totem is readily recognized by the ethnographer as both symbolic and instrumental. It is more difficult from within the frame of the modern, rationalized worldview to see our own rationalized totems, such as the organization chart, as simultaneously instrumental and symbolic.

### Four Themes in Cultural Approaches to Rational Organizations

The early empirical studies that provided evidence for this cultural approach to organizations were conducted on educational organizations. They shared several characteristics that made their arguments plausible even to the most die-hard rationalists. First, they were conducted on organizations that were designed to impart norms and values rather than on organizations that were strictly profit-oriented. It was quite plausible that myth and ceremony were central to the business of schools because in the Parsonian schema, as in the modern worldview, schools are part of the cultural realm of modern life. Second, they examined government-mandated organizational practices and treated government mandates as unproblematic. This allowed analysts to "black-box" the issue of how legitimating organizational practices are socially constructed; the source of these practices was self-evident. Third, they neglected the role of interested individual actors in institutionalization, which allowed them to bracket the problem of how power, interest, agency, and political processes contribute to the institutionalization of practices. Fourth, they focused on formal rules and structures that were decoupled from actual practice. That is, they showed that organizations formally adopted certain practices as window-dressing, and then failed to use those practices. In brief, by examining organizations

- that were self-consciously cultural in purpose
- that were subject to clear government mandates
- that adopted practices that had become institutionalized in the external environment by unspecified actors with unspecified interests
- that routinely adopted rules for the express purpose of achieving legitimacy without regard to implementation

neo-institutionalists were initially able to set aside a number of problematic issues in order to make a convincing, if minimalist, case for the role of culture in modern organizations. However, subsequent work has broadened this cultural approach by tackling all four of these limitations, and the remainder of this chapter charts those efforts. Each limitation is considered in turn.

### From culture qua norms to culture qua instrumental rationality

Early studies looked at schools, mental health providers, hospitals, and nonprofit organizations, in the belief that not-for-profit organizations subject to government regulation were most susceptible to pressures to achieve legitimacy by manipulating symbols of justice and efficiency. In their *Organizational Environments* (1983) John Meyer and W. Richard Scott made a distinction between organizations operating in the "institutional" sector (i.e., governmental and nonprofit organizations), where survival and success were largely dependent on legitimacy (i.e., the use of accepted rules and structures) and on public funding, and those operating in the "technical" sector (i.e., for profit organizations), where success depends more directly on the bottom line. Their point was interpreted by many in Parsonian terms to suggest that "instrumental" organizations in the "technical" sector are governed largely by rational, profit-oriented action and that organizations in the "institutional" sector are governed by cultural norms. Scott (1992: 16-17) has more clearly specified the distinction, arguing that most organizations depend simultaneously on *output controls* linked to technical considerations and *process controls* linked to institutional considerations, and as early as 1983 Paul DiMaggio and Walter Powell anticipated the need to specify the diverse processes by which organizations seize cultural models from the environment. Coercive isomorphism occurs when a powerful organization, such as the state, imposes rules and practices on organizations. Normative isomorphism occurs when organizations voluntarily adopt practices that afford legitimacy. Mimetic isomorphism occurs when organizations copy the cultural practices they see in the environment in order to achieve the outcomes they hope to achieve. This third form describes how profit-seeking organizations most often come to copy instrumental practices from one another. DiMaggio and Powell (1991: 32) have described the association of "institutional" characteristics with nonprofit sectors and "technical" characteristics with proprietary organizations as "no longer viable" as a result of a series of empirical studies that have underscored the role of "institutional" processes in the legitimation of "technical" practices in proprietary organizations. Powell (1991) argues that because all

kinds of economic behavior are simultaneously cultural, the distinction has been a false one.

Acceptance of the insight that instrumental practices are at the same time cultural is particularly hard-won among American students of organizations, largely because neoclassical economic theory and rationalist organizational theories are based on generalizations from the American case. American organizational practices have been treated by theorists in these traditions as ideal-typical and pure, while the diverse organizational practices found in other countries were treated as adjustments to government meddling. This tendency was reinforced by the rhetoric of government non-intervention in America, the gist of which is that policies that enforce price competition among firms merely reinforce natural economic processes. Thus in America, active state intervention has been couched as "laissez faire" (nonintervention) and resulting organizational practices are thought to be outcomes of natural economic processes. The whole economic and organizational environment, then, came to be conceptualized as natural rather than human-made. While Karl Polanyi recognized the very same misconception in British thought as early as 1944, and showed that "laissez faire" was initially produced in Britain by a series of deliberate state actions rather than by governmental restraint, theorists have been reluctant to consider American regulatory policies as a form of intervention. The American belief in the naturalness of economic life was also bolstered by the huge size of the economy and the absence of proximate, developed neighbors with significantly different economic and organizational systems. Such a naturalized vision of the economy would be hard to sustain in France, for instance, where nearby countries operate successfully with dramatically different economic structures and organizational practices.

The empirical remedy to this natural-order conception of instrumental organizational forms came in studies that analyzed the social construction of key, rationalized, organizational practices. A series of studies challenged the premises of neoclassical economists and rationalist organizational theorists by seeking to show that as key organizations labelled new practices "efficient," organizations hungrily consumed them with little reflection about whether they were truly efficient and with little concern for whether those practices were suited to their own needs. Pamela Tolbert and Lynne Zucker (1983) studied the diffusion of municipal civil service reforms,

designed to rationalize government employment, between 1880 and 1935 and found that while governments that had functional needs for improved authority adopted the reforms initially, once civil service reform became denoted as modern and rational, all kinds of municipalities with no particular need for reform jumped on the bandwagon. Neil Fligstein (1985, 1990) showed that changes in the focus of American corporate strategy, from manufacturing to marketing to finance, were driven not by some ineluctable evolutionary force as Alfred Chandler had argued but by the leadership of key corporations that promulgated new models of efficient organizing over time.

Fligstein and others highlighted the role of the federal government in the construction of particular organizing conventions as efficient, to the end of countering the notion of the neutrality of the American state while helping to specify the origins of certain conventions. These studies meanwhile undermined prevailing neo-classical and rational choice explanations of the same phenomena. Baron et al. (1986) showed that modern personnel systems were developed by networks of managers and federal officials during World War II, in response to new federal policies that regulated the movement of labor rather than in response to the imperatives of organizational size and union control as rationalists had suggested. Stephen Mezias (1990) found that federal regulatory agencies, early-adopting organizations, and accounting professionals participated in the diffusion of an important new accounting procedure among *Fortune 200* corporations, and that rational-actor approaches poorly explain diffusion. Dobbin et al. (1993) show that internal labor market practices, which labor economists link to the imperative of retaining firm-specific skills in select industries, diffused after 1964 in response to federal equal employment opportunity laws that led managers to focus attention on formalizing employee selection mechanisms. To show the cultural nature of instrumentality, each of these works examined the social construction of rationality from inside of organizations and organizational fields. They substituted an inductive and phenomenological approach to rationalized practices for the deductive and teleological approach typically adopted by organizational analysts.

Another approach has been to trace the diffusion of organizational practices that symbolize equity, such as affirmative action policies, grievance procedures, and due process mechanisms, across

organizations in "instrumental" and "technical" sectors alike to show that even proprietary, profit-oriented organizations signify their commitment to norms of justice and equity (Dobbin et al. 1988; Edelman 1990, 1992; Sutton et al. 1994). These studies have found, for instance, that once due process mechanisms such as grievance procedures became socially constructed as necessary for protecting employees from arbitrary behavior on the part of managers, it became illicit for large, modern, organizations *not* to have them. Edelman and Petterson (1993) have taken this argument one step further by looking at the effects of affirmative action rules and departments: organizations install one type of affirmative action structure if they are most interested in symbolizing equity, and another type of structure if they are most interested in *achieving* equity. In turn, the first kind of structure has little effect on employment ratios while the second kind has significant effects. More generally, these studies have traced how the Western elaboration of the inherent rights and attributes of the individual leads to new social norms and conceptions of efficiency that may coincide in practice. By giving disadvantaged employees the right to be considered for promotion and to file grievances against the arbitrary actions of managers, for instance, organizations not only win external legitimacy but help to motivate those very employees to be more effective, or so managers argue (Dobbin et al. 1993).

#### From "black-boxed" origins to historiography and ethnomethodology

Early studies bracketed the problem of the origins of new instrumentally rational organizational practices by focusing on practices promulgated by central authorities, or on the process DiMaggio and Powell (1983) term "coercive isomorphism." These studies tended to focus on forms that are constructed in response to the actions of governing units: professional bodies, legislatures, courts, regulatory bodies, certification and accreditation boards (Scott 1987b; Davis and Powell 1992: 355). The role of sponsoring institutions is certainly important in the creation of organizational practices, particularly because many "institutional sectors or fields contain environmental agents that are sufficiently powerful to impose forms and/or practices on subordinate organizational units" (Scott 1987b: 501). Yet a more interesting, and vexing, question

concerns how organizations collectively come to agree on what is rational when state action is absent. Arthur Stinchcombe pointed out in 1965 that entire industries tend to take on the organizational structures common in the historical epochs in which they are born, so that new firms in established industries tend to adopt technical and managerial models that were popular when their older peers were founded. How, then, do particular historical models arise? Answering the question for an organizational rule, practice, or structure involves opening up the black box by chronicling debates among managers and charting the pattern of diffusion. Moreover initial causes are often difficult to tease out, because cultural norms, cognitions, and coercive arrangements often quickly come together:

These dimensions of institutionalization presumably feed on each other, as when cultural prestige (e.g., a new organizational device is generally admired as more rational) leads to cognitive dominance (e.g., it is believed, by ordinary participants and by scientists, to work better, or indeed, to be the only model that really works) and coercive controls (e.g., managers who do not institutionalize it are deemed negligent). (Meyer 1994: 5)

Historical studies have explored the origins of a number of organizational practices by focusing on activity at the level of the interorganizational field, where managers actively champion solutions as efficient. They frequently find that practices that emerged for idiosyncratic conjunctural reasons unrelated to the problem to which they are eventually addressed are embraced as solutions simply because they are available. Baron et al. (1988) trace modern personnel theory and practice – often depicted as the result of an integrated, deductive, approach to human nature – to a hodgepodge of personnel practices that emerged, separately, in three different sectors of the American economy during the 1920s and 1930s. Calvin Morrill's (1991) analysis of the diffusion of the hostile takeover, and the elaborate executive culture that accompanies the takeover, charts the emergence of a new rationalized practice that arose among elite managers – without any apparent external sponsor in the form of a professional organization or government agency – and caught on like wildfire. A number of studies have shown that even when American legislation seems to be the direct cause of a new organizational practice, managers often actively negotiate with public officials and the courts over what will be deemed

acceptable and tend to concoct compliance solutions out of spare parts from other organizational models. "Coercive isomorphism" is thus quite participatory in the United States because legislation typically provides only broad outcome-oriented mandates and then leaves it to managers and the courts to work out specific prescriptions for compliance (Edelman 1992; Dobbin et al. 1993; Abzug and Mezias 1993; Sutton et al. 1994). These studies have focused on interorganizational networks of managers who devise rational models of organizing, and the origins of the building blocks they work with.

Lynne Zucker's explicitly ethnomethodological approach represents an entirely different strategy for disassembling the black box. Her critique of the prevailing macroinstitutional approaches is, in essence, that they consider institutionalization to be a *state* rather than an active social *process*. As a result, macroinstitutional approaches to organizations frame problems at a level of analysis that precludes observation of the actual micro process of institutionalization. Zucker asks how the exteriority and objectivity that are central to the construction of regularized institutions are achieved at the interpersonal level. She has pushed this ethnomethodological solution to the problem of how regularized organizational practices emerge in a series of articles (Zucker 1977, 1983, 1987, 1991; Tolbert and Zucker 1983). Zucker's approach is in no way inconsistent with macroinstitutionalism, but it highlights the importance of local social processes in the creation and maintenance of meaning. Karl Weick (1979) has explored these very issues by examining the enactment of social structure in organizations. Organizational routines may be created at the inter-organizational level, but they must be enacted locally to attain meaning and salience. Deirdre Boden's (1994) *The Business of Talk* employs the insights of conversation analysis to link micro behavior patterns to social structure, insisting that because social structure is made up of action, by treating social structure as independent of individual-level action, we reify it in a way that obscures its essential nature.

#### From actor-less institutionalization to interest articulation

Charles Perrow (1987) and Paul DiMaggio (1988) have argued that early formulations of neo-institutional theory neglected agency,

interests, and politics. Perrow implies that the perspective is inherently conservative in that it treats emergent rights for disadvantaged groups as social constructs, which he takes to suggest that disadvantage itself is a social fiction. In part, this perception results from the fact that early institutional studies focused on the symbolization of justice and equity, which consumers of organizational theory readily agree is normative, rather than on the symbolization of rationality, which they tend to see as "not symbolic." Recent treatments have restored agency, interests, and politics. For a number of institutionalists Ann Swidler's (1986) "Culture in Action" provided an opening for reintegrating agency, by defining culture as a "tool-kit" that gave substantial autonomy to actors while constraining the individual strategies they could conceive and carry out. Swidler offered a corrective to the oversocialized conception of actors that Mark Granovetter (1985) bemoaned in sociology by arguing that people can actively, and even self-consciously, use cultural symbols for their own ends. Of course, even this kind of deliberate use of culture is highly institutionalized in that the modern worldview posits a series of individuated self-interested actors who actively employ rationalized prescriptions for action, and who actively manipulate meaning and understanding, with the goal of utility maximization.

To incorporate interests most works have charted the role of interested groups in the construction of organizational practices and strategies, or have shown how public policy shifts mobilize particular groups to promote new practices and strategies. Fligstein's (1990) *The Transformation of Corporate Control* looks at competing managerial factions as self-interested groups that seek to promote their own expertise as the basis of organizational rationality. He charts the struggles among management factions to impose business strategies that privilege their own particular skills, such as skills in financial management. Mezas (1990) likewise charts the role of the accounting profession in constructing particular financial reporting practices as strategically rational among large corporations. Baron et al. (1986) and Edelman (1990) show how public policy shifts lead personnel professionals to promote employment practices under the guise of compliance with federal law, but with the aim of expanding the size, scope, and power of personnel departments. DiMaggio (1991b) charts the central, and self-interested, role of arts professionals in institutionalizing public art

museums as we know them today, in the early decades of the twentieth century. Strang and Bradburn (1993) explore interest articulation in the creation of regulatory structures for health maintenance organizations, and show that state regulation is not truly exogenous to organizations but rather can be stimulated and shaped by the subjects of regulation themselves. Despite these correctives, most institutional/cultural studies continue to neglect interest articulation as it is traditionally envisioned – between classes. Even the growing body of literature on the effects of Equal Employment Opportunity legislation (Dobbin et al. 1988; Edelman 1990, 1992; Abzug and Mezias 1993. Dobbin et al. 1993; Edelman and Petterson 1993; Sutton et al. 1994; ) largely brackets the role of the Civil Rights movement in promoting key legal changes (but see Burstein 1985).

The most challenging theoretical insight that this perspective offers vis-à-vis interests is that interest groups themselves are historical social constructs rather than primordial units. The historical creation of the categories of labor and capital, line and staff, professional and nonprofessional, manager and worker, principal and agent, thus becomes a central focus of theory and research. At the societal level, this insight dates to Seymour Martin Lipset and Stein Rokkan's (1967) *Party Systems and Voter Alignments*, which traced how history produced interest groups based on class in some Western nations, and interest groups based on religion, race, region, ethnicity, or sector in others. More narrowly, Dobbin (1992) suggests that the "objective" material interests of labor and capital are socially constructed, showing that between the 1920s and the 1950s the perceived interests of business and labor groups on the question of social insurance versus employer-provided benefits were highly unstable and highly responsive to changing public policies and negotiated interpretations of interest.

Ronald Jepperson's (1991) elegant theoretical synthesis contains the important point that when Dahrendorf speaks of the "institutionalization of class conflict" he refers to a process, coincident with the institutionalization of class *categories*, whereby active struggle is replaced by a routinized form of struggle. In this process class conflict becomes scripted, ritualistic, and completely predictable as it becomes naturalized. More broadly, these analysts presume that the categories of actors, their patterns of action, and their underlying interests are all culturally constructed. They are, of course,

in good sociological company (Berger and Luckmann 1966; Goffman 1974; Davis 1991; Lamont 1992). Yet for the most part, these theoretical insights about the institutional origins of key categories of actors, and of their interests, have remained untested by neo-institutionalists.

These treatments beg the more fundamental question: is self-interest itself as we now think of it somehow innate? Are humans biologically self-interested? Albert Hirschman's (1977) answer in *The Passions and the Interests* is that even this most taken-for-granted human characteristic is a product of history rather than biology. Lust for goods, power, and sex motivated action in the medieval world; *interest* and *advantage* came to govern behavior, cognitive structures, and identity formation only as moral, economic, and political philosophers transformed the passion of greed into a virtue that, properly harnessed by the state, could serve the project of modernization.

The whole field of organizations, of course, presupposes the historical construction of the organization (i.e., corporation) as a category of actor. James Coleman (1990) charts the legal evolution of the corporation as a legitimate social actor since the Middle Ages, and links it to the particular course that the differentiation of social activities took in the West: "The conception of the corporation as a legal person and the reorganization of society around impersonal corporate bodies made possible a radically different kind of social structure" (1990: 536). The nineteenth century saw legal changes that gave elaborate new rights and privileges to the corporation, such as limited liability, and reinforced its status as a primordial collective actor, alongside the nation-state and political party (Creighton 1990). Whether or not the corporation as a legal person was inevitable because it was functional, which Coleman and the institutionalists might disagree about, it is important to note that it is historically quite uncommon as a form – thus far only a flash in the long progress of human history. And those with their fingers on the pulse of contemporary business practices (Pfeffer and Baron 1988; Hirsch 1991; Davis-Blake and Uzzi 1993) have detected shifts away from stable organizational employment toward temporary employment and independent contracting: the information revolution might well lead away from the classic bureaucracy as Weber described it and toward a world made up of individuals engaged in contractual service agreements. The point of searching for the

social origins of particular interest groups, of self-interest itself, and of organizational forms is that to think sociologically about these things, one must be able to think of the world as we know it as only one among many possible outcomes of history.

From symbolic-because-decoupled to cultural-because-indeterminate

Early cultural studies of organizations demonstrated that particular formal rules and practices were fundamentally symbolic by showing that they were "decoupled" from *actual* practice. That is, they showed that organizations adopted elaborate sets of formal rules and practices to demonstrate compliance with, and attentiveness to, evolving conceptions of efficiency and justice within organizations, and then routinely ignored those formal rules and practices (e.g., Weick 1976; Meyer 1977, 1978; Meyer et al. 1978; Meyer et al. 1979). The result was that their policy and procedure manuals grew fat while their day-to-day operations changed little. "Yes, we have a policy covering that," administrators could say, while paying little attention to the policy. This approach provided compelling evidence that much of organizational practice was symbolic; however, it tended to reinforce the Parsonian distinction between the symbolic and the instrumental. The core practices that organizations *did* routinely perform appeared *not* to be symbolic or cultural.

The remedy came in the form of studies of organizational practices that are actively used. It is more difficult to show that practices that organizations *do* use routinely, and that organization members defend as efficacious and necessary to continued operation, are cultural phenomena. The analytic strategy most scholars have adopted is to demonstrate that rationality is highly indeterminate and variable over space or time. By showing that organizational rationality is not narrowly circumscribed by transcendental economic laws, but rather that economic laws permit a wide range of different organizational practices and strategies, analysts have sought to demonstrate that notions of what is rational are historically contingent and change dramatically over time and space, and thus are fundamentally cultural.

Marco Orrù, Nicole Woolsey Biggart, and Gary Hamilton's (1991) "Organizational isomorphism in East Asia" is a prime example of

the strategy of demonstrating variability over space. In an analysis of Japan, Taiwan, and South Korea they seek to show that organizations and industries are structured similarly within nations, but that they take dramatically different forms across nations. They trace those differences not to unique disruptions of perfect market conditions across these countries, but to broader cultural patterns that have generated different approaches to economic organization (see also Hamilton and Biggart 1988). What is most compelling about their work, and about other comparative studies of the East Asian newly industrializing countries (see the papers in Deyo 1987), is that East Asia presents several very different models of economic organization that appear to be similarly successful in terms of promoting growth. No singular model emerges from the East Asian experience. Another approach to understanding cross-national differences is found in Robert E. Cole's (1989) *Strategies for Learning*, which examines the diffusion of a new organizational form, the small work group or quality circle, to show that national organizational and political structures promoted Japanese adoption, stalled US adoption, and had a mixed effect in Sweden. Similarly, in studying twelve matched firms in Germany and France, Maurice et al. (1984) find that the typical functional predictors of organizational employment structures – size, product, and technology – explain little of the variance but that national models of organizing explain much of it (see also Maurice et al. 1980). These studies suggest that broad institutional characteristics of nations, rather than universal economic laws, determine the sorts of organizational practices that become constructed as rational.

As Mark Granovetter (1985) has hinted, markets are highly variable in form and depend on intersubjective agreement about what is rational that frames expectations about the actions of others and produces prescriptions for the actions of ego. Such agreement emerges at the national level largely because the modern nation-state has become the locus of collective action and rationality. The pursuit of progress, via rationalized action and scientific knowledge, has been organized principally at the national level (Jepperson and Meyer 1991). Thus nations develop typifications of how rationalized social processes operate to produce growth, which frequently rely on naturalizing analogies (e.g., the functional parts of an organism or Darwinist natural selection) (Douglas 1986). It is also characteristic of modernity, however, that, as societies become increasingly

organized around the secular nation-state, rather than around the primordial religious or ethnic group, all sorts of social structures diffuse across societies with increasing speed. Isomorphism increases and new structures will spread more quickly (Strang et al. 1992; Strang and Meyer 1993). One implication is that we may see greater convergence in organizational forms among nations, but not for the reasons cited by functionalist analysts. The functionalist/economistic argument is that there is an optimal organizational form and that over time organizations throughout the world come to more closely approximate that form as they come to better understand it. In the phenomenological view described here, by contrast, managers believe wholeheartedly in the existence of an optimal form and engage in the quest for that form by actively searching the global environment for structures and practices that are marginally more efficient than those they already employ. Thus for phenomenologists the world's organizations are not converging toward some ideal-typical organizational form that is not yet fully understood, rather they are busy copying the latest fashions in organizing. The process is driven by widespread belief in the existence of law-like principles of social efficiency, to be sure; however, the history of management thought and practice suggests that consecrated organizational practices change with the regularity of womens' hemlines – following the pattern of fashion whims – rather than moving ineluctably and in a singular progression toward some ultimately efficient ideal.

A second approach to demonstrating the multiplicity and contingency of rationality has been to chart changes over time in notions of what is rational *within* a single country and industry. A number of the studies outlined above take this approach by charting the construction of new, rationalized, organizational strategies and structures over time. Amburgey and Lippert (1989) have charted the diffusion of managerial leveraged buyouts (LBOs) between 1980 and 1986, finding that news broadcasts about LBOs, and simple contagion, played important roles in popularizing this new organizational strategy. Tolbert and Stern (1989) found that bureaucratic structures for making decisions about attorney compensation have diffused among large, differentiated, geographically dispersed law firms. Such evidence of the emergence of new ideas about what is rational does not, in itself, undermine microeconomic or rational choice explanations. However, a number of these studies have found

that managers imprint on successful organizations with the explicit aim of appearing up to date and precluding challenges to their own leadership. "We did it because IBM does it" seems to be the prevailing rationale for following the leader.

These approaches have been bolstered in the social sciences by a growing belief that history is not necessarily efficient (March and Olsen 1984; Krasner 1988; Scott 1992). While societies strive for purportedly optimal social arrangements, institutionalized practices place constraints on what is practicable and tend to shape what can be conceived in the first place. Thus even Douglass North, whose particular variant of institutional economics gives pride of place to rational action, has come to talk in terms of path dependence in the evolution of economic practice at the national level (North 1990).

### Conclusion

Prevailing rationalist approaches to organizations have been driven by a form of functionalist realism in which the central tenets of the modern worldview – that modern institutions are transparently purposive and that we are in the midst of an evolutionary progression toward more efficient forms – are taken at face value. The project of organizational analysts and management theorists, then, has been to glean the generalizable principles of rationality that can be found in modern organizations and to chart the evolution toward more efficient forms of organization. Elaborate teleological assumptions underlie this perspective. It is taken as an article of faith that existing organizational practices must serve a purpose, and must represent the world's best effort at creating efficiency. This precept is found both in structural-rationalist arguments (e.g., Blau and Schoenherr 1971) and in environmental-rationalist arguments (e.g., Williamson 1975). All of these models presume a social universe determined by a set of transcendental economic laws that define what is rational. The rationalist worldview suggests that transcendental economic laws exist, that existing organizational structures must be functional under the parameters of those laws, that the environment will eliminate organizations that adopt non-efficient solutions, and that individual-level utility maximization operates effectively to keep organizations efficient. A number of

the prevailing organizational theories fail to question these assumptions.

New cultural approaches to organizations take none of this for granted, and as a result they begin with an entirely different set of questions. Like new cultural approaches to science, nation-states, public policy, and the whole gamut of modern rationalized institutions, cultural approaches to organizations question how our contemporary social categories and notions of rationality emerged. They presume that these categories and notions represent properly *social* phenomena, rather than transcendental rules of economic or political order. Charles Perrow (1991b) asks: Why is the modern world composed of organizations, and not simply contracts between individuals? Why are "capital" and "labor" key social categories, and why does capital hire labor rather than vice versa? Why are there stable jobs, and not simply skills? Stephen Krasner (1993) asks: Why do we have bounded nation-states rather than the Holy (or Rational?) Roman Empire? Why do we have public organizational bureaucracies that govern delimited territories rather than competing city-states? George Thomas and John Meyer (1984) ask: Why did the most farflung outskirts of "civilization" become part of the project of rationalization rather than continuing to operate under alternative worldviews? Charles Tilly (1984) asks: How did the fundamental social science categories we take to be natural emerge? As a cultural system, instrumental rationality has naturalized all kinds of social categories, relationships, and cause-effect designations under the theme that these institutions are shaped by natural laws of efficiency, rather than by the will of a transcendental deity. By taking the central ideas of rationalized cultural systems to be the objects of study, neo-institutionalists have reconceptualized the most fundamental components of modern organizations. Hence they have progressed from studying peripheral organizational practices to studying the core rationalized practices of modern organizations.

Underlying the idea that organizations are shaped by local, historical processes rather than by universal principles of rationality is the conviction that the evolution of organizational forms is haphazard, rather than a unilinear progression toward increasingly efficient practices. It goes without saying that the project of modernity is to achieve progress through scientific discovery and efficient social engineering; hence organizational practitioners claim increased

efficiency as their primary goal. This idea is at the center of the post-Enlightenment rationalist *weltanschauung*. As a result, as organization men and women hone the definition of what is rational and develop increasingly complex theories and practices of rationality they believe they are part of a process of evolution from simpler, less efficient, social forms to more complex, and more efficient, forms.

This Darwinist imagery of societal evolution has been repeated in myriad realms of modern life. Charles Perrow (1991b) takes a new page from evolutionary theory (à la Stephen Jay Gould, 1989) to highlight the peculiarly asociological character of this approach. Gould uses fossils to show that biological evolution was a process of the decimation of diversity, and hence possibilities, through the decline in variety and heightening of particular biological traits. Randomness and happenstance, rather than the selection of better-adapted forms, characterized the process. Likewise, argues Perrow, institutionalization among organizations at any point in time involves a decline in variety and convergence toward particular forms, but not necessarily positive evolution toward some optimally rational form.

The great challenge of sociological subdisciplines that deal with rhetorically instrumental, and hence rhetorically acultural, realms of modern social life is to transcend naturalized categories, causal designations, and relationships among actors (collective and otherwise) in order to treat their social emergence as objects of study. In other words, it is necessary to treat *institutionalization* itself, or the "process by which a given set of units and a pattern of activities come to be normatively and cognitively held in place, and practically taken for granted as lawful" (Meyer et al. 1987: 13). By *not* treating these units and patterns as sociologically problematic, analysts run the risk of studying modernity with social categories and causal paradigms that are, themselves, endogenous to the object under study. The epistemological key to escaping this trap is to view all social categories and paradigms of causality as fictions. History indeed suggests we should take nothing for granted, because even today's most basic social unit – the individual – we know to be an historical social construct that was largely the product of the Enlightenment (Meyer et al. 1987; Ruggie 1993). Mayer Zald (1994) makes a parallel point: "Many of our major theories and theoretical schemas have in fact been conceptual abstractions from

concrete historical and civilizational events and trends." As such, many of our theories have the same epistemological status as common sense, in that they take the form of laws gleaned from social experience, the meaning of which is socially constructed in the first place (Geertz 1983). By contrast, the cultural approach to the study of organizations described in this chapter suggests that the rationalized, universal, laws that purportedly constitute modern social practice are in fact *derived from* modern social practice.

#### **Note**

My thanks to Diana Crane, Paul DiMaggio, Michèle Lamont, John Meyer, Calvin Morrill, Charles Perrow, W. Richard Scott, and Kathleen Thelen for helpful comments and suggestions.