Managing Institutions

Managing Institutions:
The Survival of *Minban* Secondary Schools in Mainland China

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resilience in the face of adversity. Without their love, patience and intimate familial ties, I could not have reached this point. My little sister accompanied me to Hong Kong and has shown me how to balance my work and life. To these family members, I owe my deepest love and gratitude.

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CHAPTER ONE

INTRODUCTION

1.1 *Minban* education in contemporary China

Dramatic changes have taken place in China, including upheavals in the social service sector. The 'over-burdened' government has retreated from the role of omnipotent provider to that of regulator. The provision of education is one of the many areas demonstrating the effects of these changes. With a budget unable to meet increasing demands, education has undergone the following radical changes in recent years: market deregulation; privatization and marketization of education services; promotion of competition among schools; empowerment of parents and students, as consumers, to make choices; and diversification of income sources as a result of the transfer of funding from the state to society (Mok, 1997a; 1997b; Yan & Lin, 2004).

The re-emergence of *minban* schools is a notable phenomenon. The new constraints on the government's role allowed individuals and private companies to invest in education. The provision of education is no longer under government monopoly. The number of *minban* secondary schools increased from 1, 280 in 1994 to 10,547 in 2007, and their enrollment also grew dramatically, from 247,484 in 1994 to 9, 162,738 in 2007 (State Education Commission, 1995; Ministry of Education, 2008) (see Table 1.1). The number of *minban* schools increased almost eight-fold and the number of students multiplied by 37. Today's *minban* schools are characterized by their diversification, uneven development across provinces, market-orientation, and multiple owners (Yan & Lin, 2004).

Although the number of *minban* schools and their enrollment have increased rapidly (see Table 1.2), they still represent a fraction of the total number of schools: *minban* junior secondary schools represent only 7.58 per cent of all junior secondary school, and *minban* senior secondary schools, only 19.78 per cent of all senior secondary school in 2007.

Table 1.1: Development of *minban* schools (1994–2007)

Year	Secondary education				Primary education			
	Schools	Enrollment	Graduates	Full-time teachers	Schools	Enrollment	Graduates	Full-time teachers
1994	1, 280	247,484	35,416	8,621	1,078	203,621	6, 257	12, 255
1995	1,694	379,537	45,473	13,471	1,465	284,513	11,942	16, 146
1996	2,035	514,002	80, 212	20,490	1,453	463, 220	21, 197	22, 140
1997	2,391	729,511	116,466	29,075	1,806	522, 284	34,055	28,802
1998	3,045	1,013,979	186,940	41, 114	2,504	727,645	54,809	28,448
1999	3,543	1,345, 192	248,491	56,381	3, 264	976,862	95,397	37,649
2000	4,315	1,798,099	313,351	77,611	4,341	1,308,061	141, 133	50,777
2001	5,611	2,705,962	486, 272	133,906	4,846	1,818,438	214,356	76, 122
2002	6,447	3,529,595	683,468	177,431	5, 122	2, 221,370	300,627	95,084
2003	7,765	4,796,017	979,422	238,885	5,676	2,749,341	374,728	117, 239
2004	8,829	6, 118,550	1, 294,448	290,876	6,047	3, 283, 213	434, 241	139,432
2005	9,825	7,548, 237	1,771,487	350, 204	6, 242	3,889,404	553,533	164,465
2006	10,366	8,447,424	2, 204, 290	393, 112	6, 161	4, 120,907	643, 121	179,836
2007	10,547	9, 162,738	2,534, 125	424,893	5,798	4,487,915	689,659	195,526

Sources: State Education Commission, 1995-1997; Ministry of Education, 1998-2008.

Table 1.2: Statistics on secondary schools, students and graduates by operator (2007)

Items	Schools (unit)	%	Total enrollment (person)	%	Graduates (person)	%
Junior secondary school – total	59, 109	100	57, 208,992	100	19,568,428	100
Operated by education departments and collectives	53,556	90.61	52,402,578	91.60	18, 120,713	92.60
Operated by private institutions	4,482	7.58	4, 125,485	7.21	1, 223,441	6.25
Operated by other departments	1,071	1.81	680,929	1.19	224, 274	1.15
Senior secondary school – total	15,681	100	25, 224,008	100	7,883, 143	100
Operated by education departments and collectives	12, 122	77.30	22,391,994	88.77	7,032,825	89.21
Operated by private institutions	3, 101	19.78	2,459,561	9.75	724, 275	9.19
Operated by other departments	458	2.92	372,453	1.48	126,043	1.60

Source: Ministry of Education, 2008

The perception of education as a public good is long-standing. China's one-child policy encourages parents to pay more attention to their child's education (Lin, 1999). Educational credentials and skills are key to employment, social status and promotion. In an increasingly knowledge-dependent economy, schools 'take on a more central role in society's institutional fabric, and their performance has definite repercussions throughout society' (Meyer & Rowan, 2006: 2).

However, as Labaree observes, 'in an era when markets are triumphant and governments are in retreat, we find that the favored solution to every public problem is to privatize it': the new directives 'let market work things out through the magic of competition (for providers) and choice (for consumers)' (2000: 111). In China, privatization, together with market reform, is considered a feasible solution to the problems in the educational system.

As the product of privatization and marketization, *minban* schools are not only educational entities but also entrepreneurial organizations. According to the bureaucratic paradigm, *minban* schools should 'present themselves not as units serving education but as organizations that embody educational purpose in their collective structure' (Meyer & Rowan, 1978: 92). As a vehicle of public good, *minban* schools should supply education to children, and, occasionally, some obtain government funding. Although *minban* schools can operate at a profit like businesses, they are also subject to requirements ensuring access and accountability, which ensure that the school functions as a public service.

As a result of China's current transitions, the requirements of *minban* schools are complex. The re-emergence of market principles, the decentralization of government and segmentation of its power and authority, and the investment-oriented culture have created a complicated context for *minban* schools. The institutional environment of *minban* schools has shifted 'from monistic to pluralistic' (Meyer & Rowan, 2006: 2):

> Unlike most organizations, which exist in the service of more narrow and clearly defined purposes, educational organizations are deeply anchored in a society's finely spun web of norms and expectations, tied down by myriads of constituents holding myriads of expectations. (Meyer, 2006:216)

Given this pluralism, it is no surprise that the definition of *minban* schools is ambiguous and complex. Different forms of *minban* schools co-exist.

Many parties—regulators, investors, principals, teachers and parents—influence the operations of the various forms of *minban* schools.

In Mainland China, most research on *minban* schools focuses on the inequalities between *minban* and public schools: the former are considered to be less developed and to offer a lower quality of education due to their lack of state support (Wu, 1996; Zhang, 2003). The implications of this situation require further research, especially with regard to these schools' operation at the organizational and institutional level.

The existing research treats *minban* schools as closed organizations, influenced by various internal or external factors. There is no systematic analysis that locates the various types of *minban* schools in the *minban* institutional environment. This study is intended to enrich our understanding of the *minban* school's institutional environment and to explore the operation of the *minban* school at the organizational and individual level. It also points to differences between regions and school types, and provides an empirically based account of the factors contributing to these differences.

Given this background and context, and informed by the concepts of new institutionalism, the major questions this study addresses are as follows:

1) In light of the transitional institutional context, what are the features of the new environment in which *minban* schools, as organizations, operate and interact with other institutions?

2) Which strategies are adopted by different types of *minban* schools to succeed in this new institutional environment?

The findings of this study offer a better understanding of school reform, privatization, marketization, school administration and management in Mainland China.

The study focuses on secondary education (both junior and senior) because it is the most important stage of schooling in terms of students' transition to college and employment. Central and local governments apply different regulations and policies for the junior and senior phases because only the junior phase is compulsory. This study concentrates on *minban* schools that offer both junior and senior secondary education, as they provide a more comprehensive picture of how the school manages within a pluralistic institutional context.

1.2 Definition of key concepts

1.2.1 *Minban* secondary schools

The *minban* schools have been called private schools, non-governmental schools, people- and agency-run schools, and community schools (Lin, 1999; 2007). These terms are often used interchangeably in government policies and academic studies. The variety of titles reflects the controversial nature of *minban* schools in a socialist system (Zhu & Ip, 2002).

In China, the term 'private school' has a different definition than it does in other countries due to the country's unique political context. From the 1950s to the 1980s, 'private' was the opposite of 'public': while 'public' denotes power and legitimacy, 'private' is politically sensitive term, rarely used by schools and government, referring to individual assets. Today, *minban* suggests part of the collective, not 'bad' private capital.

The *Provisional Regulations on the Non-State Higher Educational Sector* first used the term *minban* in 1993. In 1997, the *Regulation on Schools Run by Social Forces* noted the phenomenon of 'businesses and government organizations, social groups and other social organizations and individuals, using non-government educational financial resources, to provide schooling and other forms of education'. On December 28, 2002, the National People's Congress issued the *Minban Education Promotion Law*, which defines *minban* education as 'schools or educational institutions that are run by social organizations other than state organizations, or individuals through non-fiscal educational funds'. *Minban* education is funded and owned by the *minban* sector, regulated by the government through education policies, and administered by central and local governments.

Despite these definitions, the meaning of *minban* school remains ambiguous. Various forms of *minban* schools co-exist. One method of categorization is based on the class background of the students recruited: schools for children from rich families and schools for children of migrant laborers.

Minban schools can also be distinguished by their developmental history: some are newly established by private capital, while others have been converted from public schools. If defined by type of ownership, the former include those wholly owned by private capital or by public-private joint ventures. The latter are usually the 'offspring' of the existing public

schools, which are completely converted, partially converted or converted to public-private joint-venture schools (i.e., school resources, such as premises, are owned by the public but entrusted to a non-state organization to operate).

With the exception of the schools wholly owned by private capital and operating independently, the *minban* schools have some level of public involvement in their ownership and operation (Chan & Wang, 2009). Every *minban* school is located in the spectrum between private and public. From the new institutional perspective, the *minban* school is a 'hybrid organization', possessing both characteristics of both a school and a business.

Theoretically, 'the ultimate feature of private schools is that they possess a high degree of autonomy' (Lin & Du, 1996), although they are still under general supervision of the state (Cheng & DeLany, 1999:50).One would assume that they would have greater autonomy than the public schools because, on paper, they can determine their own educational goals, curriculum, teaching approaches, management model, school development plan and administrative structure (Ding, 2007; Lin, 2007).

1.2.2 Institutions

Since this study proposes to adopt new institutional theory to explore the operation of *minban* schools, the 'newness' of this theory should be explained. Summarizing earlier studies on institutional theory, Scott argues,

> Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers—cultures, structures, and routines—and they operate at multiple levels of jurisdiction. (Scott, 1995:33)

> And, in a later work, he continues, 'institutions are multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources' (2001: 49).

Scott's definitions require some elaboration. First, an institution is a 'dual' social structure (structural arrangement), as outlined by Giddens (1984)—a social structure that involves the patterning of social activities and relations through time and across space. These structures are both product and platform of social action, and 'both the medium and the

outcome of the practices they recursively organize' (Giddens, 1984: 25). Second, institutions have various facets—regulative, normative and cultural-cognitive—which impose certain constraints. Third, the definition of an institution must encompass its associated behavior and material resources (Scott, 2001:49). Rules and norms, if they are to be effective, must be backed with sanctioning power (Scott, 2008: 49). Material resources in social structure take into account asymmetries of power (Scott, 2001: 50). Fourth, institutions exhibit distinctive properties, such as the tendency to maintain, to change (Jepperson, 1991), and to reproduce (Zucker, 1977). The institution is both a 'property' and a 'process' (Scott, 2008: 50).

New institutional theory treats organizations as operating in an environment consisting of institutional factors. Each institutional factor influences and is influenced by the broader environment. Organizations manage institutional factors in order to survive in the broader environment. In this context, institutional environment refers to 'multiple types of actors, individual and collective, their beliefs and logics of action, governance mechanisms, and structuration processes' (Scott *et al.*, 1996: 3). In the *minban* school institutional environment, *minban* schools manage institutional factors—regulative, normative and cognitive—in order to survive and thrive.

1.3 Structure of the study

In Chapter 1, we have outlined the aims of this study and provided an introduction to the background and meaning of *minban* schools in China. Chapter 2 introduces the theory of new institutionalism. Chapter 3 provides a description of the government policies concerning *minban* education. Chapter 4 reviews the institutional environment of *minban* education in China. Chapter 5 provides a description and rationale for the methodology and design of the study. Chapter 6 examines the local institutional environment of Taiyuan and Shenzhen. Chapter 7 gives a detailed account of the institutional environment for eight *minban* school cases. Chapter 8 explains the strategies adopted by different types of *minban* schools to manage the institutions. Chapter 9 summarizes the major findings of the study, explains its limitations and proposes a future research agenda.

CHAPTER TWO

THE THEORY OF NEW INSTITUTIONALISM

2.1 New institutionalism

Since their recent emergence, *minban* schools have been the focus of considerable research. Some studies focus on the ownership of schools and the effects of marketization and privatization reforms on education (Wen, 2003; Wu *et al.,* 2004). Others explore the issues of freedom, choice, and equality as the results of such reforms (Bi, 1994; Cheng & DeLany, 1999). They try to determine whether *minban* education provides more choices for parents and students and whether *minban* schools improve the equality and efficiency of education provision (public schools have long been criticized as too bureaucratic).

These current studies pay little attention, however, to the practices of *minban* schools. There is insufficient data to give an accurate analysis of the operation of *minban* schools in their constantly changing context. The emergence of *minban* schools could be explained by the demand for alternative forms of education from parents and students. Theoretically, there is a dynamic relationship between a school as an organization and its institutional environment. In that sense, new institutionalism could supply us with a useful perspective and framework to analyze the interaction between a *minban* school and the institutional environment surrounding it.

The new institutionalism arose in the mid-1970s. Its history can be traced to the early studies of the concept of the 'institution'. New institutionalism expanded the meaning of institution, based on the recognition that history is not static and that 'institutions themselves are a moving target' (Scott, 2001: 126). The resurgence of interest in institutions represented an attempt to 'provide fresh answer to old questions about how social choices are shaped, mediated, and channeled by institutional arrangements' (DiMaggio & Powell, 1991:2).

The new institutionalism encompasses various approaches. Hall and Taylor (1996) suggest that it incorporates three distinct schools of thought: historical institutionalism, rational choice institutionalism, and sociological institutionalism. Peters (1999) identifies seven categories of institutionalism: normative, rational choice, historical, empirical, international, sociological and network. All these approaches aim to draw attention to the role that institutions play in the construction of social and political outcomes (Hall & Taylor, 1996). To some extent, the researchers 'vary in assumptions made about rationality of actors and salience of institutional elements' (Scott, 2001: 108).

New institutionalists describe the organizational environment as an open system. While turning their attention to the impact of institution upon organization, they are also concerned with the interaction between institutions and organizations. Unlike earlier theories, which focused on technical demands and resource dependencies, new institutionalism suggests that formal organizational structures are influenced by various institutional forces, including rational myths, knowledge legitimized by the educational system, professions, public opinion and the law (Powell, 2007). These influences were neglected by earlier organizational theories such as contingency theory, resource dependency and population ecology.

The new institutionalism revisits the idea of context-bound rationality (Nee, 1998: xv) and emphasizes an organization's 'social fitness' in accordance with the principle of appropriateness (March, 1981; Mezias, 1995). It focuses on 'the symbolic aspects of organizations and their environments' (Scott, 1987:507), as well as on the cognitive dimension of enterprises (Zucker, 1977), especially the imposition and emergent nature of the cognitive process (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Mezias, 1995). Cultural embeddedness is the main feature of sociological institutionalism (Hall & Taylor, 1996). Practices that are taken for granted as 'the way we do these things' (Scott, 2001:57) are the focus of the new institutionalism in organizational sociology (DiMaggio, 1997; Johnson *et al.*, 2006).

The new institutionalism provides an expanded and more sophisticated definition of its subject matter, with more explicit and varied theoretical frameworks (Lowndes, 2002:91). It allows for a more subtle analysis of the constraints arising from the interlocking roles of informal and formal practices (Nee, 1998: xvi). By rejecting functional explanations, new institutionalism pays attention to 'the ways in which actions are structured

and order made possible by shared systems of rules that both constrain the inclination and capacity of actors to optimize as well as privilege some groups whose interests are secured by prevailing rewards and sanctions' (DiMaggio & Powell, 1991: 11).

2.2 Comparing old and new institutionalism

Although scholars such as Selznick questioned the wisdom of drawing a sharp line between the 'old' institutionalism and the 'new' institutionalism (1996:270), it is illuminating to point out some of their differences. DiMaggio and Powell (1991:12) note that new institutionalism can trace its root to the 'old institutionalism' of Selznick and his associates (Selznick, 1949; 1957). Selznick (1957) maintains that 'institutionalization is a process':

> It is something that happens to an organization over time, reflecting the organization's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment. … 'To institutionalize' is to infuse with value beyond the technical requirements of the task at hand (1957:16-17).

Perrow (1986) argues that Selznick and his associates offer an exposé of organizations by showing that they are not rational entities but vehicles for hidden values. Unlike the old institutionalism, which emphasized the value and norms, the new institutionalism focuses on classifications, routines, scripts, and schema. Rather than assuming that the environment is co-opted by organization (as the old institutionalism maintained), the new institutionalism holds that the environment 'penetrated the organization, creating the lenses through which actors view the world and the very categories of structure, action, and thought (DiMaggio & Powell, 1991: 13).

Both the old and new approaches cast doubt on the 'rational actor' model of organization. They focus on the relationship between organizations and their institutional environments and emphasize the role of culture in shaping organizational reality (DiMaggio & Powell, 1991: 12). There remain, however, significant differences between the old and new institutional theories:

> The shifts of the theoretical focus from object-relations to cognitive theory, from cathexis to ontological anxiety, from discursive to practical reason, from internalization to imitation, from commitment to ethnomethodological

trust, from sanctioning to ad hocing, from norms to scripts and schemas, from values to accounts, from consistency and integration to loose coupling, and from roles to routines have quite naturally altered the questions that students of organization have asked and the kinds of answers they have offered (DiMaggio & Powell, 1991: 26-27).

Subsequent scholars have charted the connections between institutions and organizations. Lowndes suggests that the tenets of institutionalism 'are best represented in terms of movements along six analytical continua:

1) from a focus on organizations to a focus on rules;
2) from a formal to an informal conception of institutions;
3) from a static to a dynamic concept of institutions;
4) from submerged values to a value-critical stance;
5) from a holistic to a disaggregated conception of institutions; and
6) from independence to embeddedness.' (2002: 97)

The new institutionalism explains the dynamic interaction between institution and organization. Zucker and Darby (2005) suggest that the early work in this field followed three approaches: macro (e.g., Meyer & Rowan, 1977), micro (e.g., Zucker, 1977) and middle-of–the-road (e.g., DiMaggio & Powell, 1983). The macro approach focuses on the 'institutional effects' that influence, constrain and empower organizations; the micro approach emphasizes the interaction of organizations and actors to produce and reproduce the institutions; and the third approach integrates the previous two perspectives, positing a cycle of interactions between institutions and organizations.

As the new institutional theory has matured, it has followed various tangents, each geared to a particular field of research. Scott argues that the new institutionalism has moved

1) from looser to tighter conceptualizations of institutions and their distinctive features;
2) from determinant to interactive arguments;
3) from assertions to evidence;
4) from organization-centric to field-level approaches;
5) from institutional stability to institutional change;
6) from institutions as irrational influences to institutions as frameworks for rational action. (2008: 215–217)

Looking over the history of scholarship, we can observe the 'spiral' development of new institutional theory. There is no sharp timeline distinguishing the shift from the old to the new institutionalism. Instead, against the backdrop of the old institutionalism, the new institutionalism constructs a framework to analyze the relationships among institutions, organizations and actors. The differences among the various approaches to institutionalism are compared in Table 2.1.

As shown in Table 2.1, the old institutionalism treated conflicts of interest as central issues and held that the vested interests of actors within organizations were the source of inertia. In contrast, the macro and micro approaches of the new institutionalism put the conflict of interest in an assertive peripheral position: the source of inertia is legitimacy. The macro approach emphasizes explicit, exogenous legitimacy, while the micro approach is more concerned with the implicit, endogenous interactions intended to confer legitimacy. Each approach focuses on a specific part of a larger issue and, hence, neither can provide a complete picture of the dynamic relationship between institutions and organizations in producing legitimacy.

The middle-of-the-road approach, suggested by DiMaggio and Powell (1983), emphasizes the interactive relationship between institutions and organizations, and seeks to reveal the particular combination of top-down and bottom-up influence, instead of merely focusing on the macro or micro level. It identifies the source of inertia as the intrinsic ambiguity of institutions: however, there are potential and continuous conflicts, which may cause gradual or radical institutional change.

The middle-of-the-road approach assumes that vested interests are inevitable but their influence is constrained by objective evidence. It emphasizes that the institution acts as a framework for rational action. Unlike the macro approach, it is based on rationality, and, unlike the micro approach, it stresses institutionalized rationality. The macro and micro approach hold that institutionalization is taken for granted, but the middle-of-the-road approach emphasizes the conscious awareness and evaluation of actors. The middle-of-the-way approach accentuates the 'incremental structuration processes' (Giddens, 1984), and offers a 'productive framework for examining the interplay between these forces' (Scott, 2008: 77).

Table 2.1: Comparison of approaches

| | Old institution-alism | New institutionalism | | |
		Macro approach	Micro approach	Middle-of-the-road approach
Goals	Displaced	Ambiguous	Ambiguous	Ambiguous
Conflicts of interest	Central	Assertive Peripheral	Assertive Peripheral	Inevitable but the extent in accordance with evidence
Source of inertia	Vested interests	Explicit, exogenous Legitimacy imperative	Implicit, endogenous interaction produce legitimacy	Intrinsic ambiguity of institutions & potential and continuous conflict
Analysis approach	Within organization	Top-down	Bottom-up	Interplay between top-down and bottom-up
Focus of theory	Informal structure of organization *in* a local community environment	Institutional effects *of* field, sector or society	Actor construction *of* field, sector or society	Interactive progress between institution and organization
Structural emphasis	Informal structure and object-relations	Symbolic role of formal structure; taken-for-granted reality	Actors' interaction; construct and interpret structure	Dual structuration processes
Rationality	Constrained rationality	In opposition or as alternatives	Institutionalized rationality	Institution as frameworks for rational action
Nature of embeddedness	Co-optation embedded in local community	Constitutive embedded in field, sector or society	Interpretively constructive embedded in organizational field	Incremental embedded
Cognitive basis of order	Commitment	Institutional-ized myth	Taken for grantedness	Constitutive schema

Source: adapted from Powell & DiMaggio, 1991: 13; Scott, 2008.

2.3 New institutionalism in organization:
The theoretical cycle

New institutionalists seek to explain the interactive process between organizations and institutions, and to understand the organizational trade-offs involved in adopting one form of institution to the exclusion of others (Meyer & Rowan, 2006:4). Scott (2008) summarizes the most recent version of institutionalism as follow:

1) Institutionalists eschew a totalistic or monolithic view of organizational and societal structures and process;
2) Institutionalists insist on the importance of nonlocal (as well as local) forces shaping organizations; have rediscovered the important role played by ideas, specifically, and symbolic elements, generally, in the functioning of organizations;
3) Institutionalists accord more attention to types of effects occurring over longer time period;
4) Closely related to this concern with time, institutionalists also accord more attention to an examination of social mechanisms;
5) Institutionalists embrace research designs that support attention to examining the interdependence of factors operating at multiple levels to affect the outcomes of interest. (Scott, 2008: 211–214)

The new institutionalism has broadened the scope of its application and its explanatory power. As shown in Table 2.1, researchers may take either the environment or organization as their unit of analysis and may submit them to a macro or micro approach. Such limited approaches will necessarily neglect some important facets and, therefore, do not provide a comprehensive view. Scott notes that 'Studies of top-down structuration processes, together with equal attention to bottom-up processes, have illuminated important facets of organizational life' (2008: 216).

The introduction of an 'organizational field' is an important contribution: it fills the gap between the macro- and micro-level analyses. The 'organizational field' is an appropriate platform for an analysis of the *minban* schools because these schools are influenced both by the macro environment and micro-level agencies.

DiMaggio and Powell (1983) define the organizational field as 'those organizations, in the aggregate, [that] constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory

agencies, and other organizations that produce similar services or products'
(1983: 148). DiMaggio (1986: 337) asserts that the organizational field
bridges the organizational and societal spheres. It harnesses the benefits of
the 'mesolevel of theorizing' (Scott, 2008: 182). The interactions and
mutual relationship between institutions and organizations form the
analytical cycle of new institutionalism (see Figure 2.1).

Figure 2.1: The framework of new institutionalism
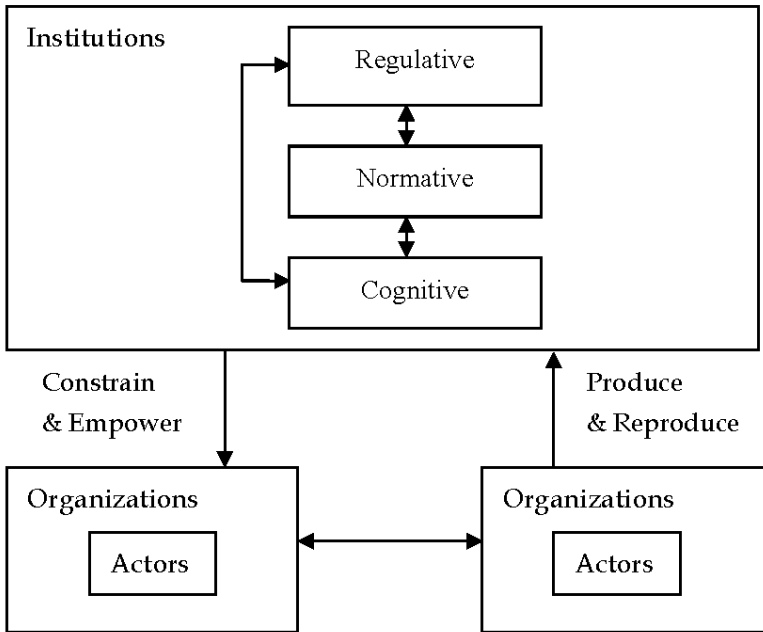
2.3.1 Institutions influencing organizations

2.3.1.1 Institutional effects

The new institutionalism (particularly when it adopts the macro approach)
examines the way in which rules, norms and shared beliefs influence
organizational forms and practices. It maintains that formal structures are
highly institutionalized, and function as myths and ceremonies shaping
and influencing organizations (Meyer & Rowan, 1977). Formal structures
have symbolic as well as practical properties (Tolbert & Zucker, 1994),
and institutions impose constraints by setting boundaries between

legitimate and illegitimate activities (Scott, 2001: 50). At the same time, institutions also empower organizations by providing guidelines, resources and informational support (Langlois, 1986) and by acting as forecasters.

Meyer and Rowan (1977) show how symbolic institutionalized beliefs and rules—the myths embedded in the institutional environment—can affect the formal structure of organization. Organizations incorporate legitimized standards and employ external and ceremonial assessment criteria to define the value of structural elements. They depend on externally fixed institutions to reduce turbulence and maintain stability: 'Independent of their productive efficiency, organizations which exist in highly elaborated institutional environments and succeed in becoming isomorphic with these environments gain the legitimacy and resources needed to survive' (Meyer & Rowan, 1977: 352).

DiMaggio and Powell (1983) argue that a highly structured organizational field offers a context in which organizations can deal with uncertainty and constraint, leaded to homogeneity in structure and culture.

Meyer and Scott (1983) define legitimacy as 'the degree of cultural support for an organization—the extent to which the array of established cultural accounts provide explanations for its existence' (1983: 201). Scott emphasizes that explanations, justifications and meaningful accounts are more likely to be imported from the environment than to be manufactured and produced from within the organization (1991: 170). As Suchman (1995) observes, 'legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (1995: 574). Legitimacy is 'not a commodity to be possessed or exchanged but a condition reflecting perceived consonance with relevant rules and laws, normative supports, or alignment with cultural-cognitive frameworks' (Scott, 2008: 59–60).

Legitimacy is 'a symbolic value to be displayed in a manner such that it is visible to outsiders' (Scott, 2008: 60). Legitimacy can be defined as widespread consensual beliefs about how things should be. It creates strong expectations of what is likely to happen in a particular situation. As with external controls, 'legitimacy is a conferred status to enhance the survival value of organization which accepts it' (Mezias, 1995: 177).

Sociological institutionalism assumes that existing institutions affect not only preferences but also individual identity and self-image (Oliver & Mossialos, 2005). The institution is internalized and imprinted on the organization and actors. Social action is always grounded in social contexts that specify valued ends and appropriate means; the reasonableness of an action is ensured by taking into account these social rules and guidelines for behavior (Scott, 2001: 68). When constitutive rules are recognized, individual behavior is often seen to reflect external definitions rather that internal intentions (Scott, 2001: 65).

The new institutionalism asserts that the institutional environment definitely has an effect on an organization; however, as Scott (1991) notes, researchers in the field ask questions about how, why, and where organizational changes occur (1991: 174). Scott offers the following seven processes: the imposition of organizational structure, the authorization of organizational structure, the inducement of organizational structure, the acquisition of organizational structure, the imprinting of organizational structure, the incorporation of environmental structure, and the shared cultural belief system (1991: 181). It is notable that the incorporation perspective assumes that organizations mirror or replicate salient aspects of environmental differentiation in their own structures. This incorporation is adaptive and unplanned (Scott, 1991: 179–180).

Unlike Scott (1991) who views culture as an institution, Jepperson (1991) argues that culture is merely a vehicle of institutionalization, like formal organizations and regimes. Furthermore, Jepperson points out that the tenets of new institutionalism 'not only stress the structuring quality of rules or frameworks, but also attribute causal import to the particular substantive contents of the rules invoked—frames are not just formal structures' (1991: 156).

2.3.1.2 Multiple institutions and mechanisms

Faced with the complexity of the institutional environment and armed with new institutional theory, scholars have realized that institutions are various and ambiguous, and, therefore, have complex effects on organizations.

The early literature of new institutionalism focused on explaining the convergence of organizational structures and processes. Increasing isomorphism was taken to be the central indicator of institutional processes at work (Scott, 2001). The homogenized pressures of the holistic