THE ANATOMY OF CHANGE
– A Neo-Institutionalist Perspective

EDITORS
STEE N SCHEU ER
JOHN DAMM SCHEU ER

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Notes on Contributors

EVA BOXENBAUM, Ph.D., is Assistant Professor in the Department of Organization at Copenhagen Business School. She conducts research on institutional change processes, particularly the role of innovation, translation and entrepreneurship in bringing about change in mature organizational fields. Her work has been published in Strategic Organization, Journal of Business Strategies, and American Behavioral Scientist.

[e-mail: eb.ioa@cbs.dk]

LARS FUGLSANG, Ph.D., is Associate Professor of Social Sciences at Roskilde University. His main research interest is in how organizational frameworks are created to deal with the impact of innovation and technology on business and the public sector. He has written books and papers in the field of science and technology studies, innovation studies, service studies, and public innovation.

[e-mail: fuglsang@ruc.dk]

KENNET LYNGGAARD, Ph.D., is Associate Professor in International Organization and Administration at Roskilde University. His main research interests are concerned with decision making in the European Union and the Common Agricultural Policy. His recent publications include The Common Agricultural Policy and Organic Farming: An Institutional Perspective on Continuity and Change (CABI, 2006) and “The Institutional Construction of a Policy Field”, Journal of European Public Policy (2007).

[e-mail: kennetl@ruc.dk]

NIELS CHRISTIAN NICKELSEN holds a Ph.D. in organization theory from the Copenhagen Business School. He is Assistant Professor in the department of psychology at the University of Copenhagen. His key research interests lie within the mundane co-evolution of subjectivities, instruments, and institutions in relation to reorganization and product/service development.
in hospitals and industry. These interest circle around the complex processes
involved in weaving together the various expertise, agendas, technology, and
classifications of the actors.

[e-mail: niels.nickelsen@psy.ku.dk]

JOHN STORM PEDERSEN, Ph.D., is Associate Professor of Social Sciences
at Roskilde University. He has written books and articles in the field of public
administration and management, on structural reforms in the public sector,
and public innovation. His current main research interests include the impact
of structural reforms on the Danish public sector and the production and
delivery of services by public institutions. He is former CEO of the Mayor’s
Office in the Aalborg Municipality, Denmark.

[e-mail: johnsp@ruc.dk]

JACOB DAHL RENDTORFF, Ph.D., is Associate Professor in the Depart-
ment of Communication, Business, and Information Technologies at Roskilde
University. His publications are primarily concerned with business ethics, val-
ues-driven management, corporate social responsibility and corporate govern-
ance. He recently published “Corporate Social Responsibility, Sustainability,
and Stakeholder Management” in Business Ethics and Corporate Social Respon-

[e-mail: jacrendt@ruc.dk]

JOHN DAMM SCHEUER holds a Ph.D. from the Copenhagen Business
School and is Assistant Professor in the Department of Communication, Busi-
ness, and Information Technologies at Roskilde University. His main research
interests and focus are the study of the encounter of innovative ideas and local
practice in private as well as public organizations. He studies the encounter as
implementation, as diffusion or as translation processes, and he also explores
ways of theorizing about “the encounter” and local organizing processes.

[e-mail: jods@ruc.dk]

STEEN SCHEUER, M.A., Ph.D., DSc., is Professor of Organization and
Management in the Department of Society and Globalization at Roskilde Uni-
versity. His most recent book is Social and Economic Motivation at Work (CBS
Press, 2000). He has published in the British Journal of Industrial Relations,
European Journal of Industrial Relations, Thunderbird International Business

[e-mail: ss@ruc.dk]
Preface

The contributors to this book are researchers from Roskilde University, Copenhagen Business School, and the University of Copenhagen. They share a common interest in exploring organizational change from a neoinstitutionalist theoretical perspective.

The group has met and discussed this shared interest at meetings and seminars. While we haven’t reached agreement on a common text or program statement, we have been able to clarify the exposition of each others’ thoughts. We hope that this volume will stimulate discussion and contribute to neoinstitutionalist reasoning, argumentation, and ultimately a better understanding of societal and organizational change.

Some of the activities connected to this book have been made available by a generous network grant from the Danish Social Science Research Council. We are grateful for this support and for the understanding and patience of our colleagues in the editing phases of this book.

It might be added, that while the editors share last names, they are not related.

Roskilde, November 2007
Steen Scheuer and John Damm Scheuer
Chapter 1

Introduction

Change Anatomies and Processes

By John Damm Scheuer

Globalization, the new economy, and the IT revolution are some of the words used when researchers, as well as practitioners, try to explain the seemingly ever-increasing speed of change in contemporary society. Whatever the label, organizations today are facing change in a host of different ways. Sometimes they act as “change-takers,” forced to adapt to changes and innovations coming from the outside. At other times they are “change-makers,” who foster innovation and change, giving them a competitive advantage or a heightened legitimacy. Sometimes they force others to adapt to these changes.

What are the drivers of change in the organizations of the twenty-first century? What is the anatomy of change, or how is change initiated and received? Who and what takes part? What constitutes real change and what is just continuity or conservatism in the guise of change? These are the central questions motivating the contributions to this book. Its basic premise is to ask scholars from a number of theoretical fields and scholarly traditions (sociology, economics, political science, business economics, and law) to illuminate these issues from their theoretical and analytical/empirical backgrounds.

The contributions are organized into two main sections. The first focuses primarily on change at the organizational level. The contributions in the second section focus primarily on change at the societal level. Since processes of change at the micro-, meso- and macrolevel are, however, interrelated, this division simply represents an organizing principle rather than an attempt to separate organizational from societal development and change.

The authors of this volume all relate to, develop, or discuss institutional
theory. Some of them confront central questions and issues in institutional theory related to organizational change. Others combine institutional theory with other theoretical perspectives in order to explore how these perspectives may cross-fertilize and develop our understanding of organizational change.

The main themes discussed by the contributors to this volume are:

- Convergence and divergence in organizational fields
- The role of ideas in institutional change
- The role of materiality in the institutionalization of routines
- Institutionalism compared to other metaphors of change
- Theoretical and empirical questions related to institutional change

Each chapter in this volume asks specific research questions that relate to broader issues and discussions in institutional theory. In the following sections a sketch of these issues and discussions will be drawn in order to demonstrate more accurately how each contribution relates to these issues and discussions.

**Convergence and Divergence in Organizational Fields**

*Explaining Convergence and Homogeneity in Organizational Fields*

Neoinstitutionalist research first started out explaining the surprising homogeneity and convergence of structures and practices in public, as well as private, organizations in western industrialized countries. Neoinstitutionalist “organizational analysis takes as a starting point the striking homogeneity of practices and arrangements found in the labour market, in schools, states, and corporations” (DiMaggio and Powell 1991, 9). Its adherents focus on institutionalization as the diffusion of standard rules and structures; theorize institutions as macro-level abstractions made up of taken-for-granted scripts, rules, and classifications; and propose that institutionalization occurs at the sectoral or societal level rather than at the organizational level (DiMaggio and Powell 1991).

Meyer and Rowan (1977, 1991) described organizational blueprints and recipes for formal structure as rationalized myths. They claimed that organizations adopt such rationalized myths in order to align themselves symbolically with the rational myths of the organizational fields of which they are a part. The result of such an alignment is that the organization is perceived as legitimate by its environment, which in turn is supposed to affect the flow of resources to the organization from the environment. Internally, the adopted
blueprint/recipe is, however, often decoupled from the operational level so that operational effectiveness is maintained. Meyer and Rowan claimed that isomorphism was an effect of these processes, making organizations in an organizational field still more alike.

DiMaggio and Powell’s article from 1983 (DiMaggio and Powell 1991) identified the mechanisms that were supposed to make isomorphism occur in organizational fields – that is, make organizations become still more (structurally) alike in a field. They pointed out three important types of mechanisms, or isomorphic pressures – coercive, imitative, and normative – that bring about isomorphism. Coercive isomorphism occurs when pressure to adopt a particular organizational form comes from other organizations that can exercise power over it. Mimetic isomorphism occurs under conditions of significant uncertainty about what the most appropriate organizational form actually is. In this form, the safest strategy appears to be to copy whatever is in fashion with other organizations that are perceived as modern or successful. Finally, normative isomorphism is a type of copying that results from processes of professionalization and institutionalization where professional staff undergo relatively uniform training and participate in similar social networks, and then carry the ideas they have picked up in these contexts out to the many different organizations that employ them (DiMaggio and Powell 1991; Pollit 2001).

As a consequence of these groundbreaking insights, earlier research was often directed at studying isomorphic processes in organizational fields in institutional theory (Dobbin et al. 1993; Friedland and Alford 1991; Strang and Meyer 1993). Today institutional researchers have, however, started looking in other directions.

**Explaining Divergence and Heterogeneity**

Neoinstitutional researchers have increasingly moved from studying homogeneity and convergence to studying heterogeneity and variation in organizational forms and practices (Greenwood and Hinings 1996; Ruef and Scott 1998). Lounsbury and Ventresca (2003, 470) suggest that a focus on spatial variation can facilitate analyses of how different positions in a field, relational connections, or identities shape whether organizations adopt novel practices, and how they then implement them. Researchers like Scott (et al. 2000) and Powell (1991) have introduced a field-level approach to the analysis of change, which aims to uncover the heterogeneity of actors and their practices, as well as the multilevel
processes by which fields retain coherence and become transformed (Lounsbury 2003). Scott (et al. 2000) has tracked the dynamics of institutional actors, logics, and governance systems in the healthcare field of the San Francisco Bay Area since the 1940s. They show how field-level changes were driven not only by the claims and interests of actors but also by shifting belief systems and regulatory structures that took shape at the field level (Lounsbury 2003).

As a consequence of these developments, change processes in organizational fields may be understood as more complex than anticipated by earlier institutionalists. Other approaches to the analysis of institutional stability and change may be needed. The different types of mechanisms driving change at the individual, the organizational, and the field level will have to be identified, as well as connections between these levels and mechanisms of change (Poole and Van de Ven 2004).

**Contributions Related to this Theme**

Steen Scheuer asks: *Which institutional and other factors drive change of national institutions, and to what extent are they influenced by globalization and technological advances?*

He takes his point of departure in the proposition that market economies, as well as industrial relations systems, are not converging under the influence of globalization and technological change. Scheuer then asks what is driving change in national industrial relations systems. Theoretically, his analysis is based on the varieties of capitalism (VOC) approach, which describes the industrial relations system as one of five general types of institutional arrangements, or systems, found in western industrialized countries: the corporate governance system, the industrial relations system, the intercompany system, the vocational training and education system, and the social welfare system. Empirically, his analysis focuses on developments and changes in the Danish industrial relations system. He discusses how six institutional factors mediate, influence, and are balanced against market forces under the influence of globalization: 1) union density and collective bargaining coverage, 2) trends in composition of the labor force, 3) changes in labor law, 4) trends in union impact on wages and other economic conditions, 5) the prevalence of industrial conflict, and 6) changes in the political orientation of unions. He concludes that some aspects of the Danish industrial relations system are quite persistent (e.g., union density, bargaining coverage, minimal legal regulations, etc.) while other aspects (e.g., the reduction of working hours, an extra week of holiday,
the decentralization of pay bargaining, the steep decline in industrial conflict, etc.) have changed substantially. Finally, he notes that national industrial relations systems do not simply converge or diverge, but are constantly undergoing institutionally embedded changes caused by inspiration from the world outside (e.g., from the OECD, by economic difficulties, etc.)

John Damm Scheuer asks: How may processes of convergence and divergence in organizational fields be studied and explained as translation processes?

Scheuer starts with the premise that neoinstitutionalist researchers have begun studying heterogeneity and variation in organizational forms and practices in addition to homogeneity and convergence. He then explains how neoinstitutionalists are increasingly combining institutional and more practice-based perspectives in order to understand the microprocesses on which institutional orders are built and changed. Finally, he explains that changes may take place at several different levels – the organizational, field, societal, and global levels – and that these changes may interact. Consequently, he suggests that a new model of institutional change is needed that is able to take this kind of complexity into account. He reviews the relevant literature, and asks how processes of organizational change may be studied and explained using a model of translation (when an idea encounters practice), and how this model helps to explain convergence and divergence in organizations. The model is used to analyze how healthcare professionals in a clinic for orthopaedic surgery and in a psychiatric ward at a minor hospital in the Copenhagen Hospital Corporation encounter the idea of “clinical pathways.” Some conclusions are (a) that an idea and the human and nonhuman elements associated with it are co-constructed in specific time-space contexts, (b) that an idea may, at the same time, be translated in ways that are both similar to and divergent from its origination and (c) that translation may result in intended as well as unintended effects depending on how and which elements are associated with an idea in a specific time-space context. Another more general conclusion is that processes of organizational and institutional change cannot be reduced by referring to simple and partly mistaken theories about what drives human and nonhuman action. When scrutinized in detail, processes of homogeneity and convergence simply turn out to be more complex and heterogeneous than formerly assumed.

Eva Boxenbaum asks: How are different strategies of legitimation used to launch a new and innovative idea in a mature organizational field?
The idea in question is that of socially responsible investment (SRI). SRI is a set of practices whose aim is to generate high return on investment while simultaneously pursuing social gains. The introduction of SRI in the Canadian province of Quebec is used as a case study. A discussion paper on corporate social responsibility and SRI was published by the provincial parliament of Quebec in 2002, and was followed by the establishment of an SRI fund with the objective of investing in small and medium sized enterprises that developed, used, or distributed environmentally friendly technologies in Quebec. The investment fund was formed by two private firms that invested pension funds of workers, and an environmental NGO that was responsible for distributing public funds to local entrepreneurs who helped protect the environment. Boxenbaum first identifies the different frames and ways of associating concepts of actors. She then examines how the different actors involved engaged creatively with the different frames to make SRI gain cognitive legitimacy. A process model is then deduced that describes three dimensions through which embedded actors transformed an illegitimate frame into one that reflected dominant, institutionalized beliefs in the field. The first dimension suggests that an idea has to be in accordance with individual preferences – that is, the values and beliefs of those legitimizing the idea. The second dimension is strategic reframing, whereby legitimizing actors pragmatically evaluate and choose which reframing of an idea will appeal most to actors who can either support or prevent the realization of the idea. The third dimension is related to the legitimizing actors’ attempts to grounding the idea locally by connecting the idea to established, legitimate practices in the form of routine procedures and daily activities.

John Storm Pedersen asks: *Which institutional success criteria are important to managers in Danish public sector organizations? Have they changed, and if so, what are the consequences of these changes?* He focuses on the success criteria that managers in the Danish public sector have to fulfil now, as well as in the near future. On the basis of a representative survey, he concludes that public managers think their success or failure is measured on the basis of four success criteria: 1) the quality of the services delivered, 2) the degree of democratic (stakeholder) influence on production, delivery, and consumption, 3) the production and delivery of tailored services to the single user, and 4) the use of market mechanisms. The managers think, however, that they are not evaluated on the basis of criteria concerning eco-
nomic efficiency in the daily operation of their institutions. Petersen suggests that the structural reform of Danish public institutions and the introduction of New Public Management (NPM) – in the form of an increased use of contract, rather than budget and monopoly models – will result in public managers being forced to take criteria concerning economic efficiency in operations more seriously. He anticipates consequences including an enlargement of the set of success criteria that public sector institutions have to fulfil, and an increase in the complexity of the production and delivery of services in public sector institutions. It will also become more difficult, if not impossible, for managers to fulfil the success criteria, because over time public institutions will have to fulfil more and more success criteria, at a higher and higher level, within relatively fixed budgets.

**The Role of Ideas in Institutional Change**

Neoinstitutionalists began by focusing on institutionalization as the diffusion of standard rules and structures in organizational fields (DiMaggio and Powell 1991). Consequently, it was implied that there was something that moved across time and space in such fields making them more homogeneous. Institutionalist researchers identified that something as ideas (Campbell 2004; Czarniawska and Joerges 1996). John Campbell (2004) points out that institutionalists have been criticized for not sufficiently incorporating ideas into their analysis of decision processes and institutional change. According to Campbell the critique may be boiled down to five questions that institutionalists will have to answer in relation to ideas:

1. What are ideas and how may they be defined?
2. Which actors are responsible for the meaning of ideas and what role do they play?
3. How are ideas affecting institutional change and how are institutions affecting ideas? Which causal mechanisms are involved?
4. Under which conditions is it likely that ideas affect institutional change?
5. Which methodology is most appropriate when trying to decide whether ideas have affected institutional change?

Czarniawska and Joerges (1996) have defined and shown how ideas travel and become institutionalized in organizational fields. According to Czarniawska
and Joerges, ideas are “images which become known in the form of pictures or sounds (words can be either one or another).” They can then “be materialized (be turned into objects or actions) in many ways: pictures can be painted or written (like in stage-setting), sounds can be recorded or written down (like in a musical score) and so on and so forth” (Czarniawska and Joerges 1996, 20). When ideas move they are translated (Latour 1986) and often objectified, turned into objects like reports or books. These objects disembed (Giddens 1984) or decontextualize (i.e., ignore) the specific conditions under which the idea was introduced and practised, such as the local context in an organization. When an idea has been objectified it may travel across time and space and may be recontextualized, or re-embedded, (Giddens 1984) in another time-space context. During the translation process the idea is typically translated into an object (for instance a prototype or some kind of document describing how the idea should be translated locally), then into actions, and finally into an institution, if the actions are repeated regularly. The translation can be performed by any actor who decides to react to and/or act on behalf of the idea and, thereby, extend or diminish its power. Fashions – generally accepted master ideas and processes of attention – are seen as especially important in relation to the translation process and the impact of different ideas on change. The focus of attention is supposed to depend on what the actors know in advance, on cultural assumptions, on political structures, and on what leaders, the market, and the general public find important at a given time and place.


Campbell distinguishes between cognitive and normative ideas. Cognitive ideas specify causal relations while normative ideas express the values, attitudes, and identities of the actors. Cognitive ideas are related to paradigms that represent (and limit) the basic assumptions upon which we base our understanding of causal relationships and the action programs of actors. Public opinions represent public assumptions that limit actors in their translation of values, attitudes, and identities into legitimate action programs.

Campbell suggests that if ideas are to have an influence on top decision-makers like politicians, bureaucrats, and top managers in industry, they will have to be translated into programs that top decision-makers can incorporate into their decision processes. He sums up what the necessary conditions are for ideas to have an impact and result in institutional change. Since key decision-makers have to deal with important problems, crises, and uncertainties, dif-
different ideas and programs must, first and foremost, be accessible to them. The ideas and programs have, moreover, to be convincing and in accord with the dominant paradigm. Another criterion is that a program has to be perceived as an effective solution to the problem at hand. Programs tend to be perceived as effective if they are packaged in a way that makes them understandable to decision-makers, if they offer clear guidelines, and if decision-makers believe the programs have been empirically proven to actually work. If programs live up to these conditions, decision-makers will perceive them as legitimate, and in accordance with public opinion. Campbell thinks that institutions may affect the impact of ideas by functioning as filters. The formal and informal institutional channels through which actors get access to key decision-makers may influence the impact of ideas and programs on decision processes and institutions. The way institutions are organized may do so, as well. Surrounding institutions may also affect the impact of ideas and programs.

While the contributors above have focused on the concept of and processes through which ideas become institutionalized, other researchers have examined the idea itself and asked whether ideas may have characteristics that affect institutional change. Kjell Arne Røvik (1998) suggests that ideas that travel far and fast in organizational fields share some common characteristics. They are:

- recommended by an authoritative organization in the field;
- presented as a tool or concept that will work everywhere;
- easily communicated and presented as a commodity on a market;
- defined as new, modern, and innovative compared to older recipes;
- designed in order to avoid conflicts and avoid favoring special interest groups;
- communicated through dramatic stories about their development and acceptance;
- presented as an opportunity for development and growth for the individual members of the organization.

**Contributions Related to this Theme**

Kenner Lynggaard’s central concern is similar to that of Røvik and Campbell. He asks: *What is the role of ideas in institutional change and are some ideas more susceptible to change than others?*

Lynggaard discusses, develops, and empirically tests a new typology of ideas and ideational change that supplements existing typologies of ideas in institu-
tional analysis. Ideas have been defined as issues, paradigms, information, or knowledge, and judged by their relative persuasiveness, but no one has investigated how resistant or susceptible different types of ideas involved in decision making processes are to change. To do so, Lynggaard has developed a typology of four types of ideas: theoretical, normative, analytical, and cognitive. He then tests these ideas empirically in a case study focusing on decision processes related to the common agricultural policy (CAP) of the European Union (EU).

According to the study, cognitive ideas first gave rise to concerns related to surplus production and budget pressures. By the late 1980s and the early 1990s, these elements were associated with theoretical ideas suggesting causal relationships between price policies and production output, normative claims related to environmental protection, food safety and quality, and analytical ideas generated through evaluations of previous policies and policy outcomes. Consequently, cognitive ideas related to surplus production and budget pressures had, by the late 1990s, transformed into analytical ideas. This was also due to the build-up of in-house expertise in the Commission Services. Agents of cognitive ideational change in the late 1980s and early 1990s, and agents of analytical ideational change in the late 1990s, were all found within the Commission and the Commission Services.

Lynggaard posits that normative ideas about protection of the environment, and food safety and quality, have been relatively stable since the mid-1980s even though the priority given to these issues by the Commission and the Commission Services has changed. As a consequence, he argues that cognitive ideas are more susceptible to change than normative ideas. Finally, he concludes that his study lacked enough empirical evidence to allow an assessment of the relative susceptibility to change of cognitive and normative ideas vis-à-vis theoretical and analytical ideas.

The Role of Materiality in the Institutionalization of Routines

Routines and institutions

The concept of the institution and a routine are interrelated and interdependent in neoinstitutionalism; one may not be understood without the other. Berger and Luckmann provide a definition of institutions, wherein their routinized characteristics become apparent: