

Institutionalization: A Contemporary Perspective of the Old and New Institutionalism for Managers

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Abstract: There is a remarkable difference between an organization and an institution. While the former is dispensable, saleable, contractible, or simply extinguish, the later is indispensable, worth preserving and ought to be preserved. For legitimacy and survival, organizations need to develop into an institution. That is what institutionalization stands for. This paper examined institutionalization from the two lenses of the old institutionalism and the new institutionalism which signify the point of departure of this paper from similar studies. The paper concludes that the two schools of thought are complementary rather than mutually exclusive. Hence, the paper advocate for 'complete institutionalization'. The paper also considered institutionalization as a tool for organizational healthy perpetuation and equally regards institutionalization as an organization fact of life that imposes itself on the organization willy-nilly.

Keywords: Institutionalization, Old Institutionalism, New Institutionalism, Diffusion, Isomorphism, Complete Institutionalization.

1. INTRODUCTION

Implicit in today's strategic management literature and as a contemporary dimension of strategy implementation is strategy institutionalization (Pearce & Robinson, 2006; Osho, 2016). Institutionalization depicts the process of translating into concrete action some conception (a belief, norm, social role, or mode of behaviour) within an organization, social system or society as a whole (Wikipedia, 2017). It is also describe as a process which infuses an organization's code of conduct, mission, policies, vision and strategic plans into action template applicable to the daily activity of its workers. Institutionalization is an organization purposive action aim at integrating fundamental values and objectives into the organization's culture and structure. According to Selznick, institutionalization can be viewed as a process of organizational character formation.

DiMaggio and Powell (1983), on the other hand, see institutionalization as a means of adaptation to environment. They suggest that institutionalization occurs by imitating other successful competitors and this is done to overcome the problem of uncertainty. Institutionalization is realized by developing appropriate and meaningful behaviors with the environment to gain legitimacy and conformity and transferring them to next generations. Meyer and Rowan (1977) also posit that institutionalization occurs by developing shared values with the environment. The purpose of institutionalization, according to these researchers, is to gain legitimacy, increase resources, and maintain survival of organizations.

All these aforementioned definitions explains institutionalization as a process that needs to be consciously implemented for an organization to achieve legitimacy. It is in this same furor of postulations that Selznick (1996) differentiates between an organization and an institution. According to Selznick, the organization is expendable, saleable, contracted,

lease or simply extinguish while the institutions are valuable, indispensable, must not be discarded, but ought rather to be preserved. The metamorphosis of an organization into an institution is what institutionalization is all about.

There are divergent opinions from existing literature on the institutionalization processes. While some believed that what needed to be institutionalized for an organization to achieve legitimacy and survival is simply the characteristics of the behavior of the workers, other school of thought disagrees, arguing that for an organization to succeed in any environment what it needs doing is to copy what other similar organizations are doing and establish its structure in the same manner. This paper's point of departure from similar studies is that it examines institutionalization processes from the perspective of the two school of thought; old and new institutionalism and its implication for managers.

Institutional theory:

Having a theory for a concept depicts the full understanding of such concept. One issue that has over the years dominated organizational theory discourse is question of social reality construction (Ahiazu & Asawo, 2015). One of the theories that have developed to address organizations as institution is the institutional theory. The theory is on the deeper and more flexible nature of social structure. It looks into the procedures by which structures, including schemes, rules, norms, and routine become established as reliable official recommendation for social behaviour (Wikipedia, 2017). The theory explains the diverse types of legitimacy an organization can attain as well as why organizations can be so similar. In other words, the theory explains the reason organizations are considered legitimate institutions and why they take the form they do. A university succeeds if everyone agrees it is a university; it fails if no one believes that it is a university regardless of its success in instruction or socialization.

The underlying assumption upon which the institutional theory is built according to Tolbert and Zucker (1994), is structuralism. Corroborating this view, Pfeiffer (1982), iterates that one of the first context in which institutionalization theory was developed and indeed, the setting that sparked its development was the study of organization structure. The issue of structure is so fundamental to institutional theory such that Tolbert and Zucker (1994) argue that institutional theory is driven by the problematic of why different organizations, operating in very different environments, are often so similar in structure. Whether Tolbert and Zucker are correct or wrong, let's discuss the trends in institutionalization theory in the next section.

Trends in institutional Theory:- trends in institutional theory are in two fold, belonging to two different school of thought;

1. New institutionalism
2. Old institutionalism

1. New Institutionalism:

Powell and DiMaggio (1991), define an emerging perspective in organizational theory which they term the new institutionalism. It seeks cognitive and cultural explanation of social and organizational phenomenon by considering the properties of individual unit of analysis and direct consequences of individual attribute or motives. New institutionalism focuses on the agency/Organizational behaviour.

These explains many different interpretations and strands of institutional theory, but in a general sense, new institutionalism see institutions are sets of rules and practices that shape the meaning and the perceived appropriateness of social behaviour. In new institutionalism, emphasis is laid on the foundation of individual and group behaviour within the organization. The philosophy of management thinking here is that if the individuals get it right, if the groups get it right, the organization will surely get it right. So if you take Scott's 'pillars of institutional analysis' for example, the 'rules' refer to formal regulations, social norms and obligations, and then shared understandings and common beliefs. These regulations, social norms, and shared beliefs exert a powerful influence on the way human beings think and act. They form a sort of logic which provides the basis for the things we do, as well as the things we believe are necessary, or morally correct, or just plain obvious. This logic can be embedded in the roles we adopt, the shared principles on which we base cooperation, the ends or goals that we think are important, and the means that we regard as appropriate in pursuing them.

Using this as a lens of analysis, we can develop new ways of understanding why individuals, organisations, and entire categories of individuals or organisations act the way they do. We can also ask how these frameworks for action change,

or how individuals and organisations change them. As organizations become institutions, they are infused with value, producing a distinct identity for the organization.

2. Old institutionalism:

Scott (1995) indicates that organizations need to conform to the rules and beliefs systems operating in the environment in order to survive. This is because institutional isomorphism both structural and procedural will earn the organization conforming to acknowledge standard. Old institutionalism focuses on structure/environment. Management thinking here is that the organization needs to understand the nature of its external environment and also be able to adapt to the changes taking place within the environment.

Meyer and Rowan (1977) argue that most times these institutional idealized conceptions are merely accepted ceremoniously in order for the organization to gain or maintain legitimacy in the institutional environment. Organizations adopt the vocabularies associated with structure that is prevalent in their environment such as specific job titles, procedures, and organizational roles. The acceptance and conspicuous show of these institutionally-adoptable trappings of legitimacy help preserve the voice of organizational action based on best practice. Conforming to acknowledge standards in the institutional environment helps ensure organizational longevity.

DiMaggio and Powell on old institutionalism, affirm that the overall effect of institutionalism is to advance the homogeneity of organizational structures in an institutional environment. Firms will take on similar structures as a consequence of three types of pressures. Coercive or forceful pressures come from legal mandates or influence from organizations they are relying upon. Mimetic or imitation pressures to imitate successful firms during high uncertainty. Finally, standardized or normative pressures to homogeneity come from the similar attitudes and styles of professional groups and associations brought into the firm through hiring practices.

2. LITERATURE REVIEW

Rowan (1997) examined the development of three administrative services in California public schools (school health, psychology, and curriculum) from the explanations of institutional theory. He found that when there is a high level of consensus and cooperation within the institutional environment, diffusion of innovative structures is steady and long-lasting. However, when the institutional environment is contentious and unfocused, adoption of innovative structures is slow and tentative.

Tolbert and Zucker (2011) expanded Rowan's confirmation by analyzing the rate of acceptance of civil service organizations in the United States. They affirm that when coercive pressures are high (e.g., under state mandate), organizations quickly accept new structures. Under low coercive pressures the rate of acceptance is much reduced. However, increased acceptance creates legitimacy in the institutional milieu, energizing the rate of acceptance of the new structural form. In continuation, Tolbert and Zucker accepted the hypothesis that while early organizations accept the new institutionalism model to improve efficiency, later organizations accept the structural form (old institutionalism) to maintain legitimacy.

Fleck, (2007), investigated the institutionalization processes of two Big American companies. General Electric and Westinghouse. Using the longitudinal multilevel analysis of firms and industry the findings indicated two different methods of organizational institutionalization. The reactive method which give rise to rigidity and change resistance, much like institutional theory predicts; the proactive method, on the other hand which neutralizes those negative effects of institutionalization processes. In the reactive method, structure is everything. In the proactive mode, agency is everything in organizational institutionalization, and in managing the organization's relations with the external factors, clearly contribute to environmental institutionalization

Moreti and Tuan (2015) deriving from new Institutionalism, the paper presents an overview on how to institutionalize the position of a social media manager in an organization. The piece recommends that in order to successfully observe and create a discussion with stakeholder and to gain positive response, organizations have to take into consideration the importance of a special professional role in control of the Social Media Strategy on behalf of the company. Having presented a list of the Social Media Managers, the paper identified how the institutionalization of the position of a Social Media manager have gotten to the stage of diffusion in the S-shaped institutionalization process but yet to get to

the institutionalization sphere. Having review relevant studies on the processes of institutionalization, the next section provides a model of how to institutional ethics in an organization

MODEL 1: INSTITUTIONALIZING ETHICS IN AN ORGANIZATION

Ethics Institutionalization means the application and infusion of ethical behavior with daily action in an organization. This can be accomplished in three ways (Koontz, 2010):

1. Establishment of code of ethics
2. Establishment of ethics committee
3. Teaching ethics in training and development programmes

1. Establishing code of ethics- a code of ethic is a statement of policies or rules that guide the behaviour of all persons in an organization and in everyday life. An example of a code of ethics is shown below (Koontz, 2010):

- All employee must put loyalty to the highest moral principles and to the organization above loyalty to any other person
- All employee must give a full day's labour for a full day's pay; giving earnest effort and best thought to the performance of their duties
- All employee must seek to find and employ more efficient and economical ways of getting tasks accomplished
- Never use any information gained confidently in the performance of lawful duties as a means of making private profit
- Expose corruption wherever discovered.

2. Establishment of ethics committee- the appointment of an ethics committee, that is made up of internal and external auditors is considered very necessary for institutionalizing ethical behaviour. The terms of reference of such committee may include (Koontz, 2010);

- Consistency on the deliberations on ethical issues
- Providing solutions to gray or not clearly defined issues on ethics
- The code must be disseminated to all staff members of the organization
- Disobedience to and enforcement of the code must be checked regularly
- Compliance must be rewarded while punishment is meted out to disobedience
- All the activities of the committee must be duly reported to the right authority

3. Teaching Ethics in Management Development Programme; these should include;

- Providing clear guidelines for ethical behaviour
- Teach ethical guidelines and their importance
- Set up controls that check on illegal or unethical deeds
- Punish trespassers in a meaningful way, and make it public so that it may deter other
- Emphasize regularly that loyalty to the company does not excuse improper behaviour or actions

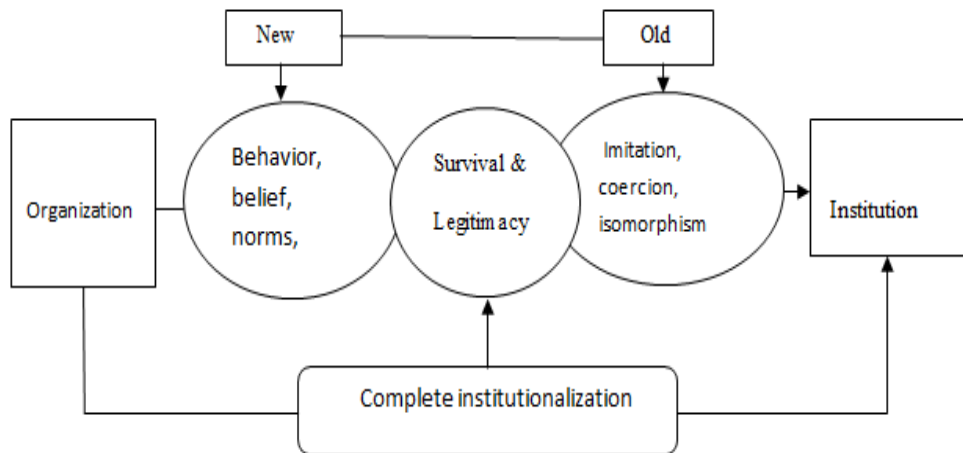
Establishing all these three dimension of institutionalizing ethics in an organization clearly shows that the organization has institutionalize ethical behaviour (New institutionalism).

TABLE 1 Contrasting the Perspective of Old and New Institutionalism

Context	New Institutionalism	Old institutionalism
FOCUS	Agents/organization	Structure/ environment
Unit of analysis	Micro level	Macro level
Institutionalization process	1. Value infusion in ethics, belief, norm, social role or mode of behavior. 2. Detail explanation of social integrating ideas surrounding a popular conception 3. Formation of talented characters, nurture and renewal	1. Organization is coerced or forced to do what others are doing 2. Organization imitate other organizations 3. Organization create standard.

Institutionalization outcomes	1. Character formation 2. Distinctive competency 3. Stability and inflexibility 4. Improve efficiency	1. Similarity with other firms (isomorphism) 2. Inability to move out of the environment 3. Legitimacy
Nature	proactive	reactive

Source; - desk search 2017



Source; desk search, 2017

Fig.1.1 Interaction between old Institutionalism and new Institutionalism

3. CONCLUDING DISCUSSION

The table above presented a model summary of the two trends in institutionalization; old institutionalism and the new institutionalism. From the table, it is very clear that the focus of the New institutionalism is the agents i.e the managers, the workers and the staff members within the organization. The focus laid emphasis on institutionalizing the behaviors within the organization. The implication for managers is that they should pay more attention to character formation of the workers in the organization. This is in support of the view of Powell and DiMagigo (1991); Morreti and Tuan (2015). The table equally established that the focus of the old institutionalism school of thought is on the structure of the organization has determined by its external environment. Here, the argument is that managers of the organization should pay attention to what rival companies are doing and on the basis of that the company will survive. This observation is supported by the works of Fleck (2007), and that of Tolbert and Zucker (2012). The table further explains that the unit of analysis adopted for investigation by the new institutionalism school of thought is at the micro-level, while the unit of analysis adopted by the school of thought on old institutionalism is at the macro-level. What this simply means is that researchers that study institutionalization base on the new institutionalism uses individual members of the organization as a study unit while the old institutionalist uses the organization as a whole as a study unit. The table further shows that the institutionalization process in new institutionalism will include 1, value infusion in ethics , beliefs, norm, social role or mode of behavior 2., detail explanation of social integrating ideas surrounding a popular conception within the organization and 3., formation of characters, nurture and renewal of same. The institutionalization process by old institutionalism include 1., Organization is coerced or forced to do what others are doing 2., Organization willingly imitate other and 3., organization creates standard. Having discussed so much about the processes, the table equally presents the possible outcomes. For the new institutionalism, the outcome includes character formation, 2. Distinctive competency within the organization 3. Stability and inflexibility and 4., improve efficiency. The expected outcome for the old institutionalism includes 1. Similarity with other firms, 2 inability to move out of the environment and 3., legitimacy and survival. Finally the table established that the nature of the new institutionalism is proactive while that of the old institutionalism is reactive.

Fig 1.1 is a model designed to show the interaction between the two trends and the end result between the new and old institutionalism whenever that are incorporated together. The model is very different from most models by different writers on institutionalism which mostly indicate the process of institutionalization which include adoption, diffusion and institutionalization in that order. The model emphasize that organization needs to move through the two trends (old and new) in order to achieve complete institutionalization. This further means that the two schools of thought are

complementary. This presents models which actually connotes this study theoretical contribution, is aimed at explaining that when organization adopts the two school of thinking on institutionalization, they will achieve legitimacy and survival. The figure further explains that for any organization to become completely institutionalized it must combine the two trends in institutionalism. The authors of the paper therefore, developed a construct known as ‘**complete institutionalization**’ to identify organization that have holistically combine the old and new institutionalism together to achieve survival and legitimacy. Furthermore, The authors proposes that complete institutionalization depicts a process whereby the managers of an organization imbibe in his workers exemplified character and incorporating into the organization best practices from its environment. This piece transcends this paper contribution to the body of knowledge. Finally, the authors conclude that institutionalization is compulsory for every organizational and it imposes itself on the organization willy-nilly.

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