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Institutional Theories and Public Institutions: New Agendas and Appropriateness

Jean-Claude Thoenig

INSTITUTION THEORY AND NEW AGENDAS

Since the 1970s public administration institutions as a research domain has increasingly opened up to contributions from other social sciences such as history, political science and sociology of organizations. It has become less normative and more empirical, considering institutions as dependent variables as well as autonomous actors.

New schools of thought have emerged in academic circles. Institutional theory is a label that oversimplifies the fact that such schools are not exactly alike: they do not share the same agenda. The present chapter presents four of such streams: historical institutionalism, sociological institutionalism, new institutionalism, and local order or actor institutionalism. Each develops a more or less specific set of theoretical as well as empirically grounded interpretations. Each also covers major facets of what institutionalization processes are. Political and administrative machineries experience path dependencies. They are embedded in societal environments. They function like specific social systems. They produce social norms and cognitive references. Therefore interactions between societal change and administrative reform become key issues.

HISTORICAL INSTITUTIONALISM

Historical institutionalism as a theoretical stream emerged in the early 1980s (Hall, 1986) and labeled as such later (Steinmo et al., 1992). This perspective defines public administration as part of political life and questions the postulate that the state machinery
functions as a undifferentiated whole and as a passive agent. Why are resources and power allocated unequally by the public sector? The essence of politics is competition for scarce resources between groups and issues. It looks much more like a complex set of differentiated institutions, as underlined by neo-marxist (Katzenstein, 1978; Evans et al., 1985), neo-corporatist (Anderson, 1979) and organizational theorists (Dupuy and Thoenig, 1985). The UK Treasury, for instance, is fragmented into several policy communities, each gathering public servants and private associations who share convergent views or are involved in common problem handling (Heclo and Wildavsky, 1974).

Historical institutionalism considers that outcomes of public policies do not just reflect the preferences or interests of the strongest social forces. They are also channeled by existing and past arrangements. Policy choices made in the past shape choices made today. Political and administrative organizations, conventions and procedures regulating the relationships between economic actors and the state, are therefore path-dependent. Radical and voluntary changes in public administration are to a large extent a hopeless endeavor in such contexts. Existing institutions structure the design and the content of the decisions themselves.

Institutional contexts differ from one country to another, for instance in the real power of the judiciary: this models divergent preferences and interpretations of action by the labor movement organizations (Hattam, 1993). Comparative international approaches, combining in-depth study and longitudinal research, provide a rich set of counter-intuitive observations. They also bring political conflict and social dissent back in, studying a variety of settings in which collective action implies interactions between the public sector and society at large. Some public agencies have more influence than others. They also use loosely coupled procedures that may contradict or conflict. Other institutions such as trade unions, economic associations of employers or of farmers may also generate public order and political legitimacy (Rose and Davies, 1994). Historical and comparative lenses observe that public institutions influence administrative and socio-political players in two major ways. They offer some degree of predictability about the issues discussed. And they also define models of behaviors and sets of protocols that are rather stereotyped and ready for immediate use. In other terms public agencies provide moral and cognitive frameworks allowing their own members, as well as third parties, to make sense of events and to act in specific circumstances. They supply information. They shape the identity, the image of self and the
preferences of administrative and political elites.

The implications of such findings are hardly irrelevant. Institutional designs do not reflect intentionality. Criteria used at the time when public policies and organizations were initially designed rapidly vanish. Political stakes and coalition games take over and determine outcomes. A model of punctuated equilibrium posits that public institutions simply respond to changes in the external power balance within society (Krasner, 1984).

While older forms of institutionalism postulated that institutions shape policies and politics, historical or longitudinal approaches underline the fact that politics and policies shape institutions. Public institutions are taken for granted and provide the infrastructure for collective action. Acquiring the status of social conventions, they are never questioned. As social constructs, they resist any incremental change or any reform made by any single actor (Graftstein, 1992).

Although the logic of path dependence and persistence are central to the historical institutionalism, developments in this approach have tended to include change more effectively. Historical institutionalism did include a means for large-scale change—the concept of “punctuated equilibrium”. For example, the work of Streeck and Thelen (2005) demonstrates how more gradual changes can alter institutions while maintaining many of the fundamental aspects of those institutions.

SOCIOLOGICAL INSTITUTIONALISM

Selznick’s study of the Tennessee Valley Authority was a pioneering step in the sociological institutionalism perspectives. (Selznick 1948, 1949).

Public agencies as organizations are considered as institutional actors in as far as their field units appropriate and promote values and interests that are embedded in the local communities in which they operate, and not just as machines implementing goals and values defined by a principal.

A first lesson is that incongruities may exist between the declared ends and those that the agency actually achieves or seeks to achieve. It pursues self-support and self-maintenance goals, as well as productive ends. It turns into a polymorphous system whose struggle to survive induces it to neglect or to distort its goals. Public bureaucracies possess a life of their own and even become active entrepreneurs. People who participate do not act
solely in accordance with their assigned roles. Therefore public management is not limited to the art of designing formalized structures, but also consider the way participants are influenced, transformed and completed by informal structures. What happens at the bottom of the hierarchy, in grass root-level units, matters a lot, in some cases even more than what happens at the top. A public bureaucracy must cope with the constraints and pressures applied by the outside local context in which it operates.

A second lesson is that institutionalization involves processes through which the members of an agency acquire values that go beyond the technical requirements of organizational tasks. No organization is completely free of values. ‘To institutionalize is to infuse with value beyond the technical requirements of the task at hand’ (Selznick, 1957: 17). It is induced by selective recruiting of personnel, by establishing strong ties or alliances with outside groups through processes such as implicit alliances, sharing common values or cooptation of local partners. Thick institutionalization is achieved when some rules or procedures are sanctified, when some units or members of the public agency become semi-autonomous centers of power and develop their own vested interests, when administrative rituals, symbols and ideologies exist. Public institutions develop in a gradual manner. They become valued by their members and by outside vested interests for the special place they hold in society.

The real birth or revival of sociological institutionalism occurred in fact about 40 years later (Meyer and Scott, 1983). It endorses some hypotheses already suggested by Selznick. Organizations must cope with the constraints and pressures applied by contexts in which they operate. Nevertheless it also suggests alternative approaches. While Selznick emphasized processes such as group conflict and cooptation of external constituencies, the new generation of sociologists downplays their importance. It underlines the importance of constraints such as conformity and legitimacy imperatives. It also locates irrationality in the formal structure itself, not only in informal interactions such as influence patterns.

While Selznick favored a meso-level perspective and studied a single public agency, the Stanford school is more macro-oriented and hyper-deterministic: ideologies and values that are dominant at a societal level or global level induce institutional uniformity at the meso and at the local level. Wide cohorts of single organizations –defined as organizational fields
– are studied to test how they are shaped by external values. The field is examined as a whole, as an activity making rules, and defines an institutional context within which each single organization plots its courses of action: sets of public art museums (DiMaggio, 1991), private and public elementary schools, health care programs (Scott and Meyer, 1994).

Compared to historical institutionalism, the sociological perspective defines institutional broadly. Beside formal rules and procedures, it includes symbols, moral models, and cognitive schemes. Institutions provide frames of meaning which guide human action and therefore are similar to cultural systems. Institutionalization is a cognitive process that models the sense people give to events or acts. Institutionalized myths are central to explanation. Formal structures should be understood as composed of myths and ceremonies (Meyer and Rowan, 1977), influencing the conduct of public administrators not only by influencing what they have to do, but also by shaping the imagination of the actors about alternatives and solutions. Society or culture as a whole determines the acts and non-acts, the structures and the values of the public sector.

Many organizations, whether public or private, adopt formal structures, procedures and symbols that appear identical. Diffusion processes are characterized by institutional isomorphic change (DiMaggio and Powell, 1983). Mechanisms such as coercive isomorphism – change results from pressures exerted by political influence or by outside organizations considered as legitimate – mimetic isomorphism – uncertainty and ambiguity about goals or technology increases the adoption of imitation conducts – and normative isomorphism – the influence of individuals belonging to the same profession or having followed the same educational processes-- accelerate similarities. Designing institutions that are radically different from the existing ones becomes an illusion in a world that constrains autonomy of choice and limits action-oriented imagination.

Public organizations, therefore prefer not to be innovative because conformity reinforces their political legitimacy or improves the social image of their members. Values recognized by their environment drive transformation more than instrumental rationalities increasing efficiency or effectiveness. In the long term, more diversity or competition between alternative organizational models is possible. (Kondra and Hinings, 1998).

To explain radical organizational transformation, the concept of archetype is used referring to a configuration of structures and systems of organizing with a common
orientation or underlying interpretative scheme. Evolutionary change occurs slowly and gradually, as a fine-tuning process within the parameters of an existing archetype (Greenwood and Hinings, 1996). Organizational change may also happen swiftly and affect all the parts of the organization simultaneously. It is associated with interactions between exogenous dynamics – or institutional contexts – and endogenous interests, values and power dependencies. Pressures for change are precipitated under two conditions. Inside, group dissatisfaction with accommodation of interests within the existing template for organizing are coupled with values. Outside public agencies, exogenous dynamics exist, pushing for an alternative template. Deinstitutionalization processes occur (Oliver, 1992), in which practices erode or face discontinuity or rejection over time.

NEW INSTITUTIONALISM

New institutionalism as an explicit school of thought finds its origins in a paper published by two political scientists (March and Olsen, 1984).

Government is in the business of forming its environments, not adapting to it. Public administration is driven by societal visions and political projects. Therefore organizations that handle public affairs should be ‘conceptualized as institutions rather than as instruments’ (Brunsson and Olsen, 1997: 20). They generate and implement prescriptions that define how the game is played. Who is a legitimate participant? What are the acceptable agendas? Which sanctions should be applied in case of deviations? Which processes would be able to induce actual changes? The way people think, interpret facts, act and cope with conflicts are influenced and simplified by public administration. Do public administration reforms match societal needs? And do they also help and enhance democratic participation?

New institutionalism considers dangerous the very idea that it is possible to reform and control public organizations top down and with a technocratic style. Social science research has to make explicit the less than convincing axioms or hypotheses underlying and legitimizing reforms. New Public Management approaches, for instance, are based on widely accepted postulates inspired by neo-liberal economics - rational choice, agency theory - and that are supposedly generally relevant,. Contextualism is a perspective stipulating that politics is a component of society -- the mere product of factors such as social classes, culture or demography. Reductionism postulates that political phenomena are
mere consequences of individual behaviors: the functioning of a public agency is explainable by the behavior model of the single bureaucrat. Economic utilitarianism implies that conducts of individuals are basically driven by their own selfish interest. Functionalist approaches adopt Darwinian views: historical evolution selects the organizational forms that fit the environmental requirements and kills those that do not. An instrumental perspective claims that the core role political life fulfills is to allocate scarce resources and that it is therefore legitimate to rationalize the criteria of choice governments and budgets use.

The founders of new institutionalism suggest alternative ideas or hypotheses to such perspectives. They question how far organized action can be planned the product of design or authoritarian will, and to what degree some public order is achievable in pluralistic societies. Public institutions may experience a large degree of autonomy and follow logics of their own, independently of outside influences or requirements. The historical process happens to select organizational forms that are not always efficient. Symbols, myths and rituals have more impact upon political and administrative events than immediate, narrow and selfish economic or power interests.

In other terms the logic of consequentiality is an illusion. Action in organizations is not to any great extent instrumentally oriented, and only bounded rationality is available. Public administrators make decisions according to some criterion of satisficing. They make trade-offs between the content of the problem they address and the level of uncertainty they face in real time.

In order to understand how policy-making really is processed and handled inside organizations, new institutionalism provides an analytic grid. Empirical observation should consider three fundamental dimensions or aspects: the goals the various units pursue, the way information, opportunities and support are mobilized for action taking, and the choice of decisions processes at work. It should identify how far in a given action set four main mechanisms may exist: conflict avoidance behaviors, uncertainty reduction processes, problem solving as solutions seeking and finding initiators, and organizational learning dynamics through former experience and rules of attention allocation.

In fact public organizations function like political arenas. Power issues and power games model their functioning and their policies. Collective goals do not necessarily exist that would provide common references subsuming individual goals or particularistic preferences.
Therefore institutional devices are needed in order to channel opportunistic behaviors and ensure some collective stability.

Two basic socialization mechanisms make behaviors more predictable, provided that they channel the potential risk factor human behaviors represent. One is induced by organizational routines and by the presence of pre-existing institutions. As underlined by organizational sciences, actors select their conducts according to a logic of appropriateness or conformism (March and Olsen, 1989). The implication is that routines or legacies from the past are powerful sources of integration, and create risk-adverse conditions for collective action. A second is generated by cognitive patterns and values that are diffused along institutionalization processes. Action mobilizes cultural elements used as frameworks by the various stakeholders. Actors fulfill identities by following rules that they imagine as appropriate to the situation they face and are involved in.

New institutionalism suggests a theory of learning in ambiguous environments. It predicts and explains how and why in a specific action context individuals and organizations try to reach some degree of understanding of the context they face (March and Olsen, 1975). It analyzes why each of them allocates attention, or not, to a particular subject at a given time, and studies how information is collected and exploited (March and Olsen, 1976).

This platform gave birth in 1988 to a research consortium involving American and Scandinavian scholars. More than thirty field studies were conducted on public sector organizations, especially in Sweden and Norway (Christensen and Lægreid, 1998b). Reforms of various kinds were observed, such as introducing corporate strategic planning in the relationships between the national government and state agencies, running a public rail company in a decentralized way and with a strong market orientation, or introducing a three-year budgeting methodology into national government administration and setting up active and participative county councils (Brunsson and Olsen, 1997). Social scientists retained interest in phenomena such as national administrative reform policy (Christensen and Lægreid, 1998a), complex public building projects (Sahlin-Andersson, 1998), decentralization policies in municipalities (Czarniawska and Joerges, 1998), constitutive reforms of the European Union (Blichner and Sangolt, 1998), municipal accounting reforms (Bergeværn et al., 1998) or central government officials (Egeberg and Sætren, 1999).
In this view, public management is the consequence of human activities, not the result of applied techniques. Contrary to what most New Public Management supporters advocate, leaders are not in full control, organizations are not passive, and policy choices are not consensual. Actual administrative reforms, whether successful or not, are characterized by a low degree of simplicity and clarity. Normativity, which should bring order into chaotic reality, is somewhat lacking. No one-sidedness allows a single set of values to be accepted as legitimate. Many promises are made about the future. Nevertheless the instant production of results is irrelevant. Public administration organizations cannot be controlled and changed through pure thought based on a so-called abstract rationality. It is easy to initiate administrative reforms, but few are completed (Brunsson and Olsen, 1993). Reformers are prisoners of walls that are to a large extent mental.

Reforms generate more reforms and induce fewer changes and become routinized. Organizational forgetfulness allows acceleration of reforms and helps people accept them. Top-down reforms should be avoided because their relationship with change outcomes is problematic. They paradoxically contribute to stability and prevent change from occurring.

While actual organizational changes are not generated by planned or comprehensive reform, observation suggests that they are abundant. Public administrations as such are not innovation-adverse, but may follow a sequence of transformations reflecting outside factors such as labor market dynamics or inside initiatives informally taken by low-ranking units. Major changes when they happen occur without much prior thought and discussion. It is also easier to generate them when reforms are undertaken in non-controversial areas. Hotly debated issues are not subjected to any great change.

Normative institutionalism suggests two main prescriptions for public administration changes to occur. There should be a match between rules, identities and situations: successful reforms are culturally sensitive. And local context matter because they are diverse: importing so-called good practices, mere imitation, are questionable in terms of effectiveness and in terms of legitimacy.
Are institutional theories able to provide a general theory? So-called critical theories, for instance, use approaches inspired by sociological and historical institutionalisms as substitutes for neo-marxist interpretations of globalization, as if global or macro factors at work at societal levels would determine any kind of meso or local evolution, including in public administration. Skepticism also abounds about the capacity of new institutionalism to give a grounded analysis of the actual functions and latent roles public bureaucracies fulfill in modern societies and polities.

Revisiting the institutional character of public administration, some alternative schools of thought, in particular in Europe, mix organizational theory inputs with more action-oriented lenses inspired by research practices applied to policy making. For instance a research program called actor-centered institutionalism was developed in Germany in the 1970s and 1980s by a sociologist of organization who had studied policy implementation processes, and who was joined by a political scientist interested in game theory (Mayntz and Scharpf, 1995). In their opinion, institutional factors are not as such direct causes of public practices and norms. They provide negotiation arenas and interaction resources between corporative actors, whether public or private. Various action and actor constellations exist in real life to handle collective issues, as numerous studies on the European Union and Germany underline this (Mayntz et al., 1988), demonstrating that more importance should be given to collective action and political bargaining contexts at meso levels.

French scholars addressed the question of how far local orders really matter, not only at an international or at a national level, but also at the level of specific organizations or local components. Are institutions as global paradigms able to impose recurrently, a similar set of values and action processes across societies? Sociologists and political scientists were influenced by policy analysis inquiry as developed on both sides of the Atlantic. The idea that public institutions may have a thickness of their own inside societies and polities became common sense quite early. Such is the case with the school of sociologie des
organisations. It considers institutional phenomena as both independent and dependent variables, as resources, constraints or stakes for the actors involved. Bureaucratic change processes are used as heuristic entry points.

While it is true that bureaucracies are modeled by societal factors such as the education system, national culture patterns or social stratification (Crozier, 1963), that a few corps of public servants trained in exclusive schools such as the ENA and the Ecole Polytechnique control the public agenda of a whole country (Suleiman, 1978) or that they shape in a monopolistic way major policies they shall also implement themselves (Thoenig, 1987), empirical research suggests that, below the surface, the functioning of public bureaucracies may differ quite markedly. Local orders exist which create heterogeneities in space. In a nation-state such as France, whose founding values incorporate the ideals of unity and equality, and where enforcement is centralized and authoritarian manner, public institutions are not alike and their bureaucracies function in a centrifugal manner, inducing highly differentiated outcomes across the territory and society.

Local orders matter in administration. Mutual socialization occurs, such a process of cooptation having already been explored by Selznick in his study of TVA. State prefects think and act like advocates of the interests of their respective geographic and social jurisdiction. Mayors behave as brokers between the state and their constituents. Local agencies of the national ministries are strongly embedded in sub-national communities. They get legitimacy from their environment, especially from local elected politicians. It becomes a resource they use to increase their autonomy in relationship with their headquarters in Paris. Informal and stable relation patterns link state agencies to specific environments such as local political and economic leaders (Crozier and Thoenig, 1976).

Public governance all across France is structured by which is very different from the hierarchical model and which ignores formal division of power between national and local authorities. The machinery of the central state looks like a fragmented organizational fabric: its various subparts cooperate less than each of them cooperates with local environment leaders (Hayward and Wright, 2002). Such cross-regulation practices develop between partners who otherwise perceive each other as antagonistic. They give birth and legitimacy to implicit rules of exchange and to stable interest coalitions with tacit arrangements set during the implementation of national policies. Rigid rules decided in Paris are balanced by flexible
arrangements negotiated locally. A secondary norm of implementation, which varies according to time and space and which is perceived as legitimate, prevails over formal conformism and of equality of treatment. State agencies generate exceptions and derogations become local norms. Local polities and politics are shaped in two ways. Bureaucratic ways of doing things more broadly model the cognitions and the expectations of social groups.

Public institutions are just one partner among many who intervene in public affairs. This clearly is the case for regulative policies applied by the state machinery to freight transportation (Dupuy and Thoenig, 1979) or to agricultural affairs (Jobert and Müller, 1988). Each policy domain has a specific system of organized action and functions according to own logic. Even when some ministry in Paris or some regional public body may play a hegemonic role, its acts and non-acts remain dependent on the presence of other public agencies, firms or voluntary associations. Policy outcomes are highly dependant on initiatives taken by firms or from attention allocated by groups of citizens. At least four different types of functioning seem to co-exist in the French public sphere at large: inward-oriented bureaucracies, environment-sensitive institutions, outward-driven organizations, and inter-organizational systems (Thoenig, 1996).

Public administrations also experiences dramatic changes. Central state agencies no longer play a dominant role, governing national as well as local public affairs through the allocation of subsidies and the elaboration of technical rules. A different political and administrative system emerging since the decentralization launched in the early 1980s. resulted in massive transfers from the central state to regional and local authorities (Thoenig, 2005). New private, associative or public players, such as the European Commission, get a role in policy making. Public issues coincide less and less with the way sub-national territories are subdivided and administrative jurisdictions defined. Collective problems are horizontal and are provide uncertain solutions. Cross-regulation gives poor results when the challenge is to identify the nature of collective problems and to set public agendas. State agencies adopt another political integration approach: constitutive policies. New institutional frameworks coordinate the views and mindsets of multiple partners, make them speak a common language and share a common perception about what to do, how, when and for whom. Facing a polity that is fragmented, active and non-consensual, a weakened state uses tools such as institutionalization and institutional design.
Interdependent phenomena are interpreted as results of strategic behaviors of actors operating in power settings. Social regulation – how different actors establish normative arrangements and make their respective logics of action compatible – is key to empirical analysis.

While new institutionalism perspectives favor a vision of democratic order in which responsibility is a consequence of the institution of the individual, citizens are free, equal and discipline-oriented agents, and governance is enlightened and rule-constrained (Olsen, 1998), their continental colleagues are more pessimistic. They adopt a rather cynical or Machiavellian vision of politics. Public institutions are political devices. The essence of politics is power, and individuals behave in an opportunistic way.

Public institutions are action-oriented systems. As specific social arrangements, they are fragile constructs because they are the non-intended outcomes of permanent collective tinkering. Discontinuities in time characterize the essence of public administration and of societal order. The state is more collective and pluralistic: public institutions have no monopoly on public problems and their government. Public affairs are co-constructed.

Public organizations should also be considered as local social orders, as meso or intermediary social configurations, which are neither passive nor intentional, but are constantly reconstructed in terms of social norms and of membership. For instance, the emergence of international standards used as benchmarks for the production of goods, is argued to be a form of control as important as hierarchies and markets. People and organizations all over the world seem to follow the same standards (Brunsson and Jacobsson, 2000). For instance, public institutions operating in higher education and research and facing the challenge of international rankings may hardly ignore these standards. A common global order is emerging. Not joining it – not fitting the criteria of academic quality set up by evaluators – is suicidal. Such a global process toward homogeneity is nevertheless far from being obvious or irreversible. Single universities have alternative options at their disposal to make it in the competition, many of them producing themselves or endogenously local criteria to define academic quality (Paradeise et al., 2009).
CONCLUSION

Institutional theories streams have become leading and widely shared references in public administration (Frederickson 1999). Because they consider public institutions through three different lenses - as pillars of political order, as outcomes of societal values, and as self-constructed social systems - they offer exciting arenas for academic debates as well as they also provide pragmatic or architectonic principles.

The agenda is far from having reached maturity. Major issues remain open to verification and debate. Some empirical phenomena are still open to further research. This is clearly the case, for instance, for international organizations (Schemeil, 2011) and for supra-national polities (March and Olsen, 1998; Olsen 2010). Methodological progress is still required: for instance, a less allusive set of evidence to trace relationships between cognitions and actions, or a in-depth understanding of the collateral effects generated by administrative reforms. Reconciling performance requirements with political support by public opinion, making production of regulations and norms compatible with democratic pluralism, remain in unstable and fragmented worlds perspectives that institutional theories have still to consider.

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