

UDC 330.101.2

## LIMITS TO INSTITUTIONAL ENTREPRENEURSHIP AND PROTO-INSTITUTIONS: NEW INSIGHTS INTO THE PARADOX OF EMBEDDED AGENCY

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The paper explores how radical management innovation spreads across national borders, emerging and getting adopted in new institutional environment where the dominant logic identifies different practices as legitimate and taken-for-granted. Building on previous conceptualizations of embedded agency and possibility of change in highly matured field, we develop existing ideas, aiming to frame radical change more harmoniously in relation to agency vs. structure debates.

**Keywords:** paradox of embedded agency, institutional theory, institutional entrepreneurship, radical change.

**Research questions.** The key argument of an institutional theory is that organizational freedom and behavior are constrained and largely determined by their institutional environment [1; 2]. Being limited by pressures the dominant institutional logic exerts on field members, it is vital for organizations to show at least symbolic conformity to taken-for-granted norms, beliefs and rules even though it reduces performance and offers little or no economic benefits. Therefore, «*to survive, organizations must accommodate institutional expectations, even though these expectations may have little to do with technical notions of performance accomplishment*» [3, p. 1925]. In order to survive organizations must act and behave in accordance with those norms and values that are perceived as legitimate in broader meaning systems. «*Organizations which incorporate institutionalized myths are more legitimate, successful, and likely to survive*» [4, p. 361]. In highly mature field where dominant logic defines what is appropriate and efficient and what is not and what type of behavior is acceptable and what comes into question, any changes or deviations are contested and resisted by assumption as they are considered as illegitimate. In business environments new practices and innovations are perceived as dangerous and unacceptable in a given local context where a single institutional order is established. In this paper we consider how radical management innovation can be transferred across national borders and different institutional environments. More specifically, we try to understand how successfully (or not) can actors resist institutions in which they are embedded and constrained by. As Suddaby and colleagues map this issue: «*actors may well be influential elements of institutional agency, but we must also develop an understanding of how institutional pressures might affect how these actors and their actorhood are socially constructed*» [5, p. 1238].

**Analysis of recent publications.** Questions on possibility and patterns of changes and transformations in highly mature, stable and constrained organizational fields have attracted many influential scholars. Among them are W.R. Scott, J.W. Meyer, B. Rowan, W. Powell, P. DiMaggio, M. Suchman, C. Oliver, D. Deephouse, T. Dacin, R. Greenwood, R. Suddaby, L. Zucker, P. Tolbert, N. Fligstein, E. Abrahamson, R. Garud, C. Hardy, T. Zilber, S. Maguire, M. Lounsbury, T.B. Lawrence, K. Elsbach, J. Battilana, E. Boxenbaum, T. Reay, B. Czarniawska, K. Sahlin and many other signifi-

cant researchers. Structuration theory and institutional perspective on social, economic and business processes have received considerable attention across various disciplines, especially management and organization studies and accounting research.

**Unresolved issues and questioned to be answered.** One of the most criticized aspects of institutional theory is its focus on stability, homogeneity and inertia and the same time inability to explain change, transformation of mature fields and emergence of new institutions. In order to overcome these shortcomings, DiMaggio (1988) had introduced a notion of institutional entrepreneurship – actors who are interested in change, mobilize necessary resources to create, reshape or deinstitutionalize existing institutional order despite the pressures [6; 7; 8]. While early neoinstitutional writings claimed that organizations become similar to each other adopting the same institutional elements under pressures environments exerts, later studies began incorporating power, agency and interest into institutional analysis, drawing from phenomenological version of neoinstitutionalism. Oliver (1991) was among the firsts who argued that organizations are not just passive conformists but can actively respond and in some cases resist institutional pressures and bring change into institutionalized environment. Assuming that actors can change, destroy, maintain and create institutions, scholars have faced the so-called paradox of embedded agency. Acknowledging the fact that institutions do change and actors do contribute to these transformations, researchers also don't leave behind core institutional statements:

*Organizational interests as well as task requirements are institutionally defined and shaped. An institution already specifies what should be done and how to do it. How can innovators, then, realize a change is necessary or possible in an interorganizational field with established definitions of appropriate practices?* [9, p. 336].

That is, the question arises «*if institutions exert such a powerful influence over the ways in which people can formulate their desires and work to attain them, then how does institutional change occur?*» [3, p. 1028]. Even after two decades of research, we still know little about conditions that enable agency and lead to purposeful responses and change efforts (both successful or not) despite the pressures generated by the very institutions these agents want to transform. It is also remains

unclear to what extent do individuals and organizations respond to competing and multiple demands of technical and institutional environments and which one has a greater power and impact. In terms of organizational analysis and research methods it is a dilemma arises: how to perceive and understand institutions and actors embedded in them? Who create and influence whom? And does day-to-day reproduction of familiar routines is defined by institutions or it is an intersection of interests of both institutions and field members? It is theoretically wrong to see individuals as those whose behavior and actions are constructed, determined and predicted by institutions as well as assumption that human agency can freely create, maintain, recombine or disrupt institutions inevitably falls into the 'paradox of embedded agency' [10; 11; 12; 13]. Aiming to overcome this paradox researchers try to keep a balance between explicitly independent, heroic depiction of actor's position and role and, in contrary, too passive and defined fate prescribed to individuals and organizations in institutional environment. Among various options actors will chose to maintain an existing institutional order, repeatedly day-to-day performing taken-for-granted rituals and routines. They will keep balance between conformity and technical efficiency concerns, simultaneously maintaining legitimacy and strategic performance.

*«The objectivity of the institutional world is a humanly produced, constructed objectivity. Before being 'objectivated' (i.e. experienced as an objective reality) by human beings, institutions are produced by them. Human beings tend to believe that institutions have always been there because most often those who are constrained by institutions, and those who initially created these institutions, are not the same»* [10, p. 654-655].

**The main objective of the paper.** This essay aims to discuss the role and place of purposeful human agency in institutional analysis and contribute to ongoing debate on duality of structure, institutional embeddedness and an extent to which social actors can resist institutional pressures while simultaneously change, create or disrupt institutions [14; 15; 16; 17; 18].

**Findings.** In this paper we make assumptions regarding relations between agency and structures. Being created by human agency, institutions over time distort and limit information while a power is distributed between various field members. It thus rarely occurs that any single actor can shape institution – in order to do so, existing conditions require cooperation between many actors. Beside this, the information and awareness about the essence of a given institutional field and the way it can be influenced are restricted and usually actors have a limited or (and) distorted viewpoint. This means that institutions are maintained by rituals and routines reproduction by field members who don't have access to the whole set of information and therefore can't consider potential alternatives that contradict with dominant logic and threat the institution.

This assumption allows us to see a resistance to change, especially the radical organizational transformation, as a decision-making under conditions of uncertainty when the information is

incomplete. Using game-theory terminology and notions, institutions are maintained and mature because *«each participant acts independently, without collaboration or communication with any of the others»* [19, p. 286] and at the same time agents are uncertain about a number of field parameters and conditions. Such isolation from each other and information restriction make actors believing that institutions are not an outcome of human conduct and that *«man is capable of producing a world that he then experiences as something other than a human product»* [20, p. 61].

Based on my previous research findings and experience I can suggest that institutions are maintained and reproduced because various actors who are interested in change within existing institutional order are disconnected from each other [21]. These conclusions were reached during my studies on Beyond Budgeting emergence and diffusion across Ukrainian firms [22]. Research scope included close examinations of new radical management innovation transfer from Scandinavian countries into new institutional environment where different practices and traditions of management control and accounting conduct are established and institutionalized. Trying to promote and disseminate a particular innovation, institutional entrepreneurs can't control it during the whole route and usually can't cooperate with potential adopters directly, being constrained by different institutional logics.

Answering the question why *«individuals who somehow break with the rules and practices associated with the dominant institutional logic (s) and thereby develop alternative rules and practices»* [7, p. 656] arise in extremely rare and exception cases the following suggestion may be outlined. First, it is unlikely that single actor, motivated and interested in radical change, can generate these very changes alone. He should cooperate with other potential institutional entrepreneurs but due to an incompleteness of information he is unable to identify and contact relevant colleagues. Second, an institutional entrepreneur can face resistance from other field-members who are interested in current institutional order maintenance. In this terms, institutions are persisted either with minimal human agency interaction in its support or by simple collective day-to-day taken-for-granted routines performance and non-consideration of any alternatives that can reshape or deinstitutionalize dominant institutional logi, c.

Therefore, three main reasons that prevent institutional entrepreneurship in a mature field are: 1) lack of information or its distortion; 2) lack of communication between agents who have to work in cooperation with each other in order to change an institution; 3) resistance from field-members (both active and/or simple maintenance of existing institutionalized practices and rejection of proto-institutions).

Even though institutional entrepreneurs seldom can control and direct their projects during all stages and phases of diffusion, new proto-institutions nevertheless spread across numerous institutional fields and get adopted in many new settings even though they may be contested or resisted to some extent. In line with translation theory and Scandinavian traditions of organizational analysis

(Translation theory of institutional change is skillfully developed and described in Czarniawska B. & Sevón G., 1996), ideas always change as they travel and circulate and in each new final destination they get reinterpreted and adapted according to the needs of potential adopters and in line with those legitimacy criteria established in a given field. In other words, new ideas and practices diffuse and get institutionalized not in the way their authors conceived and would like to but usually unpredictably and sometimes in the way their creators would have never imagined.

In many instances, new institution can take form of hybrid, combining multiple institutional logics. Organizations can selectively chose and incorporate certain elements from various competing logics and create new forms.

**Conclusions.** This essay offers explanations of institutional change in mature fields when actors

embedded in institutions are nevertheless interested in its change, deinstitutionalization or creation of the new form. I specify conditions that enable institutional entrepreneurs promoting radical change based on new meanings and templates and circumstances that constrain their actions and possibilities. Among them are lacks of information or its distortion, communication breakdown between those actors that need cooperation and resistance exerted by apologists of dominant institutional logic. This vision allows conducting more nuanced and relevant institutional analysis of change, reducing contradictions between core neoinstitutional statements. If new institutionalism is recognized as the more successful and relevant framework for studying organizations and their environments, than it is necessary to study and explain these processes without inconsistencies and tools that contradict with the key insights of institutional perspective.

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### **ОБМЕЖЕННЯ ІНСТИЦІЙНОГО ПІДПРИЄМНИЦТВА І ПРОТО-ІНСТИТУЦІЙ: ДОПОВНЕННЯ «ПАРАДОКСУ ІНТЕГРОВАНОГО АГЕНТА»**

**Анотація**

В статті досліджено як радикальні інновації поширюються за межі своїх інституційних середовищ, виникаючи та розповсюджуючись в тих локаціях, де домінує інша інституційна логіка і є легітимними інші практики. Аналіз результатів дослідження дає змогу більш гармонійно концептуалізувати радикальні зміни всередині та ззовні організацій, доповнюючи таким чином існуючі теоретичні здобутки інституційної теорії.

**Ключові слова:** парадокс інтегрованого діяча, інституційна теорія, інституційне підприємництво, радикальні зміни.

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### **ОГРАНИЧЕНИЯ ИНСТИТУЦИОНАЛЬНОГО ПРЕДПРИНИМАТЕЛЬСТВА И ПРОТО-ИНСТИТУЦИЙ: ДОПОЛНЕНИЕ «ПАРАДОКСА ИНТЕГРИРОВАННОГО АГЕНТА»**

**Аннотация**

В статье исследовано как радикальные инновации распространяются за пределы своих институциональных полей, возникая и распространяясь в тех локациях, где доминирует иная институциональная логика и иные практики считаются легитимными. Анализ результатов исследования дет возможность более гармонично концептуализировать радикальные изменения внутри организаций, дополняя, таким образом, существующие теоретические конструкции институциональной теории.

**Ключевые слова:** парадокс интегрированного агента, институциональная теория, институциональное предпринимательство, радикальные изменения.