

Chapter 9

INSTITUTIONS AND ENTREPRENEURSHIP¹

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1. INTRODUCTION

Much of the literature on entrepreneurship examines the attributes of individuals, the networks of affiliations in which those individuals are enmeshed, the resources they assemble, and the openings that are present in the competitive environment. More recently, scholars have attended to the legal and political conditions that support entrepreneurial behavior, and the wider ecosystem that serves to deter or reinforce risk-taking behavior. We follow this line of research in our review of work on institutional aspects of entrepreneurship. Our aim in this chapter is to assess the role of various institutional actors and processes in fostering entrepreneurial behavior.

We take a broad view of entrepreneurship, focusing not only on the creation of new business organizations, but also on the generation of new organizational models and policies that change the direction and flow of organizational activity. Common to these diverse activities and domains is the recognition of opportunities. In contrast to much research on entrepreneurship that assesses either the capabilities of individuals or organizations to recognize such possibilities, our attention is directed towards the wider environment that both defines and creates opportunities. We also focus on how individuals and groups attempt to shape the institutional context in a fashion that privileges their preferred policies and programs.

We begin with a discussion of the social context of entrepreneurship, considering how the larger social environment lends both cognitive and socio-political legitimacy to entrepreneurial activity. We observe that the cornerstone of entrepreneurship is the belief in individual autonomy and discretion, a liberal creed that locates agency in individuals as the primary unit for creating new activities (Meyer, Boli, and Thomas 1994; Meyer, 1996; Meyer and Jepperson, 2000). While such a view is widely embraced in the

United States, and more generally in Anglo-Saxon countries, it is worth noting that there is considerable variation in acceptance across other nations, due in part to religious, cultural, or political factors. We consider the extent to which entrepreneurship is, in fact, a modern western institution.

Following Schumpeter (1934, 1991; Swedberg, 2000; Fagerberg, 2003), we recognize that much entrepreneurial activity entails recombination of existing materials and structures, rather than “pure” novelty. Schumpeter regarded this combinatory activity as “the entrepreneurial function.” He was open-minded as to whether the entrepreneur was an individual or an organization, and the latter could be either a firm or a political organization. His focus was on the nature of the activity, not the identity of the participant. He famously described five types of innovative activity, involving the creation or introduction of: a.) new products, b.) new methods of production, c.) new sources of supply, d.) new markets, and e.) new ways to organize. Presumably, the latter might entail the emergence of a new industry or reorganization of an existing one. Notably, for our purposes, he did not discuss in detail the introduction of new organizational practices or structures in his writings on entrepreneurship. Yet many of the innovations that fostered economic growth in the United States in the twentieth century were organizational, notably in the design of sales and distribution (Chandler, 1962, 1977). We extend Schumpeter’s ideas on recombination to include the generation and translation of organizational practices and structures.²

We thus ask how existing institutions are remade or reassembled to create new combinations that may, in turn, generate social, political, or economic change. We discuss how shifts in the institutional environment create opportunities for individuals and organizations to seize upon recombined tools or constructs to subvert existing ways and bring about new forms of organizing. We also consider how existing institutions are transformed and how standards and practices are altered by individuals and organizations who may, nevertheless, reaffirm the larger institutional system. We should stress at the outset that an institutional perspective on entrepreneurship is more “constructivist” than “agentic.” By this distinction, we mean that while much entrepreneurial activity is purposive, it is not necessarily directly intentional. As organizational goals and missions are contested and reshaped, organizational participants often discover their interests “on the fly,” so to speak, as strategies and goals co-evolve.

2. THE SOCIAL CONTEXT OF ENTREPRENEURSHIP

The historical literature on entrepreneurs points out that such individuals were often outsiders or strangers (Barth, 1963, 1978; Collins, 1980; Simmel, 1950:402-408). As alien to existing and often deeply conservative social orders, these outsiders were able to serve as bridges

between different groups or across different spheres. In settings where novelty was often actively resisted by political and/or religious authorities, strangers were among the few members of society who did not feel sharply constrained. The role of strangers was to connect groups that would not otherwise interact, deriving value from the exchange. In work on both Norway and Central Africa, Frederik Barth (1963,1978) has stressed this bridging role, whether in using financial means to garner political support or in commodity trading in rural communities. The African village of Darfar had long had a division into two distinct spheres, one in which cash was used and the other based on barter. The two domains had traditionally been kept separate, until, as the story goes, an Arab merchant linked the two spheres by swapping beer in exchange for tomatoes, which he sold at a profit. Swedberg (2000) points out that entrepreneurial activity of this type is often deeply corrosive to the values of a traditional community.

The expansion of entrepreneurship from an unusual activity conducted by outsiders to a widely accepted practice embraced by small businesspersons, business and political leaders, as well as social movement activists, is no small feat. Weber's (1930) classic treatise, *The Protestant Ethic and the Spirit of Capitalism*, argued that commerce and an acquisitive, pecuniary logic were viewed as rivalrous to dominant religious ideologies all over the medieval world. In the 16th and 17th centuries, the rise of Calvinism and other forms of ascetic Christianity had the unintended consequence of shifting largely hostile views toward commerce to a more accommodating acceptance. The methodical, rational character of Protestantism fostered the growth of capitalism, which over time became more secular and lost many of its religious underpinnings. This elective affinity between Protestantism and capitalism did not readily translate across the globe, however. Lipset (1970) has argued that predominantly Catholic countries, notably in Latin America, have preserved values of family, particularism, and patriarchy that hinder capital accumulation and entrepreneurial behavior.

Even in the U.S., often regarded as the wellspring of entrepreneurial activity, small business has historically been regarded as a conservative group. In the 1950s, support for the deeply conservative, anti-communist views of Senator Joseph McCarthy was strongest among small business owners (Trow, 1958). In recent years, however, small businesses have been singled out as the fountain of new job creation, critical to regional economies, and challengers to large stagnant firms. This transformation in which the concept and practice of entrepreneurship is enshrined with virtuous status is a potent act of institutionalization.

Consider the academy as but one illustration. Despite an absence of a theoretical underpinning or a core disciplinary basis, the teaching of entrepreneurship in U.S., European, and Asian business schools has grown remarkably in recent decades. Aldrich (2004) notes that despite the struggles

for legitimacy that have accompanied growth of the field, the area has proliferated with respect to books, specialized journals, and business school course offerings.

Critical to this growth and celebration of entrepreneurship is the re-framing of all manner of activities as entrepreneurial. Founding a small business is an effort that entails hard work with limited prospects for success. Battling entrenched interests in large corporations or political parties is fraught with risk and long odds. Pursuing socially responsible goals, such as environmentally friendly production or inner-city investment, were once counter-cultural activities, now such efforts are championed in business schools as “social entrepreneurship.” In short, a diverse array of activities that have long been regarded as “tilting at windmills” have been redefined as entrepreneurial. Indeed, the very notion that research on institutions, things we tend to regard as relatively fixed, durable, and potent, can inform the study of entrepreneurship is further evidence of this expansion. We find some considerable irony in the growth in usage in the scholarly literature of the term “institutional entrepreneur” (DiMaggio 1988; 1991; Fligstein 1997; 2001; Beckert 1999).

3. THE REMAKING OF INSTITUTIONS

Typically, most discussions of institutions focus on their durability or fixity. Whether conceived of as shared mental models (North, 1990), the rules of the game (Schepfle, 1989; Powell and DiMaggio, 1991), or taken-for-granted understandings (Berger and Luckman, 1967), most social science research assumes that institutions are relatively stable and settled. Such a focus, however, elides questions of emergence and transformation. How do new practices and structures become institutionalized? And how do existing arrangements that are widely regarded as appropriate and normatively sanctioned become unsettled and lose their force?

We identify several strands of research that address the question of how creating change in existing institutional arrangements can be considered as a form of entrepreneurship. One key force in the redefinition of what practices and structures are appropriate is professional knowledge. By expanding their jurisdiction, professionals reshape the landscape, particularly with respect to definitions of the law. Similarly, a second trend occurs when occupational groups and professional and technical communities engage in the creation of standards. When these generalizing technical procedures are widely diffused, the existing set of organizational practices can be altered in subtle or profound ways.

A third process of institutional change involves rule-making, or the creation of formal laws that define the playing field, enabling certain groups and retarding the efforts of others. In some cases, rule-making is highly

instrumental and driven by specific agendas. In other circumstances, institutional entrepreneurship may occur as a result of unintended consequences, particularly when groups seize upon unexpected opportunities created by legislative change.

3.1 The Expansion of Professional Jurisdiction

Professionals, as well as some categories of authorized actors in particular issue or jurisdictional domains, are often key institutional entrepreneurs who help redefine and reconfigure existing institutions by facilitating the adoption of new organizational practices or models. One of the main contributions of neo-institutional scholarship has been to focus on the spread of various organizational practices, models, and governance mechanisms. Over the last decade and a half, several studies have deepened our substantive understanding of the influence of Civil Rights legislation in the American workplace, enriching a theoretical account of the mechanisms by which broad government mandates in a fragmented and weak state system bring about the widespread adoption of new organizational practices and models. While the enactment of these Civil Rights laws made clear the federal government's intent to eliminate employment discrimination, the policies were deeply ambiguous regarding standards of compliance and lacked effective mechanisms for enforcement. Employers, faced with the federal government's broad mandates to halt discrimination on the one hand, and the legal consequences of their actions on the other, had to develop and experiment with their own compliance strategies and mechanisms. Consequently, various organizational practices, including internal labor markets (Dobbin et al. 1993), grievance procedures (Sutton et al. 1994; Edelman et al. 1999), due-process governance (Sutton and Dobbin 1996; Edelman 1990), and sex discrimination and maternity leave policies (Kelly and Dobbin 1999) have been created and widely diffused, becoming standard features of the American workplace.

Frequently, legal changes have broad and ambiguous mandates and often do not specify clear standards of compliance, especially under a weak state regime such as the United States (Sutton and Dobbin 1996). Consequently, responding to legal changes is often problematic for organizations who are left to their own devices to develop appropriate standards and mechanisms of compliance. As organizations formulate measures and breathe substance into legal ambiguity, organizations help constitute legal change. Dobbin et al. (1993) describe an iterative process in which the state provided a broad mandate through the Equal Employment Law, and human resource professionals and lawyers elaborated specific practices that were eventually approved by the courts. Through this recursive

process, “Legal change engenders a process of institutionalization whereby new forms of compliance are diffused among organization and gradually become ritualized elements of organizational governance” (Edelman 1992: 1545).

The central entrepreneurs in this development of employment practices are personnel professionals. First, professionals serve as “filtering agents” (Kidder 1983; Edelman and Suchman 1997). Professional groups through their professional discourses construct the meaning of initially ambiguous laws, determine the situations to which legal reasoning applies, and more generally, advocate for the legality and legitimacy of particular worldviews (Edelman and Suchman 1997: 499). Personnel experts put forth their interpretations of the laws, and develop and prescribe recipes for compliance through such venues as professional journals, conferences, professional networks and conventions (Edelman 1990, 1992; Sutton et al. 1994).

As mediating or filtering agents, professionals interpret legal doctrines, formulate appropriate compliance strategies, and diffuse these strategies. In doing so, they employ various means that enhance and legitimate their prestige, standing, and authority within organizations. Further, in order to promote their solutions as the appropriate response to ambiguous legal mandates and to persuade employers of their usefulness, professionals couch their solutions and strategies in the rationalist language of efficiency and equity, or progress and justice.

Edelman and her colleague’s (1999) extensive analysis of the business literature in their study of the creation of Equal Employment Opportunity grievance procedures revealed that personnel professionals framed the advantages of their proposed strategy—that is, the adoption of internal grievance procedures—in the rhetoric of equity and efficiency. While protecting organizations from legal liability, “grievance procedures provide a sense of justice to employees and will therefore improve morale and productivity” (Edelman et al. 1999). The professional literature was replete with arguments that claimed instituting new internal grievance procedures would deter employees from seeking litigation and would therefore result in significant cost savings. These experts often exaggerated the legal threats to employers when championing their policies. Similarly, Dobbin et al. (1993) showed in their analysis of the diffusion of employment practices that by couching the necessity of formal evaluation and promotion systems in the language of equity and efficiency, personnel managers successfully persuaded their superiors about the putative usefulness of these practices in both battling discrimination and rationalizing the management of human resources.

In this sense, personnel professionals are the structural linkages to the wider environment (Sutton et al. 1994: 966). By their active interpretation of the law and promulgation of organizational responses, they play an entrepreneurial role as mitigating or filtering agents at the interface of the

legal environment and organizations. They “proffer stories about the legal value of grievance procedures to organizations ..., as they are told and retold in the professional journals, the stories tend to become widely accepted in organizational fields and to influence ideas about organizational rationality across organizational, professional, and legal realms” (Edelman 1999: 408). In this way, professionals created a new legal environment in which beliefs about the efficacy and appropriateness of certain practices and models become taken for granted. Further, organizations with direct connections to the wider environment proved to be more likely to adopt these newly dominant models and practices, thus institutionalizing these new views. Sutton et al. (1994) showed that involvement in this wider environment had palpable effects on the adoption of grievance procedures. Organizations’ structural linkages to the national environment through professions were operationalized as having personnel offices and/or labor attorneys on retainer; and analyses showed that organizations that had personnel offices or retained labor attorneys were more likely to adopt them. Coupled with the finding that direct linkage to the state through federal contacts did not prove to be a significant predictor, the effect of embeddedness in the wider legal environment showed that “due-process mechanisms are not a direct result of federal regulatory pressure, but rather a symbolic response to diffuse and ambiguously perceived shifts in the legal environment” (Sutton et al. 1994: 966).

Although both personnel professionals and lawyers were important in the institutionalization of these novel organizational practices, Sutton and Dobbin (1996) argued that these two groups played different roles in the process, describing personnel administrators as “explorers” and labor lawyers as “settlers.” More generally, “institutionalization can be conceptualized as a sequential process in which different sets of agents—each of which occupies a different position in the organizational field, has different stakes in the outcome, and controls different kinds of discursive resources—commit themselves to a given practice only at certain stages of the game” (Sutton and Dobbin 1996: 808). Personnel experts or semiprofessions—who are unconstrained by professional orthodoxy and occupy marginal positions in the organizational field—are much more entrepreneurial and likely to embrace novel or untested policies or practices in their attempt to expand their occupational jurisdiction. In contrast, more established professions like lawyers are conservative and slower to embrace these new ideas. Nevertheless, when these dominant and mature professions act, they serve as “settlers” that theorize practices, rendering them integral parts of the organizational field.

In sum, the enactment of equal employment opportunity and affirmative action laws has transformed the American workplace as employers faced with broad and ambiguous compliance standards have

reinterpreted their own compliance measures. These efforts were championed by personnel, human relations, and legal professionals. The new institutional literature suggests that the enactment of EEO/AA law did not have direct impact on the specific practices that were eventually created and adopted. Instead, the ambiguity of the laws and the lack of enforcement mechanisms created uncertainty about the proper means of compliance, opening space for personnel experts to be engaged in institutional entrepreneurship. Beyond the institutionalization of particular organizational practices and compliance strategies as formalized elements of the American workplace, these practices and strategies also reflected the expansion of individualism in the form of employee rights and organizational citizenship both in organizational governance and the wider environment (Dobbin et al. 1993; Sutton et al. 1994).

This modern account of EEO/AA law also has strong parallels in the past. From the 1930s to 1970s, labor relations were mediated by industrial relations departments in large U.S. companies. Labor relations professionals maintained harmony, or at least a truce, between management and labor, pressing workers to be more compliant during lean times, and encouraging management to be less frugal during expansive periods (Katz, 1985). Sluggish productivity growth, foreign competition, and oil price shocks in the 1970s interrupted this long era of labor-management peace, and led many firms to adopt anti-union policies, such as subcontracting or the building of nonunionized “greenfield” plants, typically in Southern states. As the dominant system of industrial relations unraveled in the 1970s and 1980s, leading practitioners and academic experts began to re-theorize labor relations, which dealt largely with unionized work forces, and articulated a broader vision of human relations management, which was applicable to the entire work force (Kochan, Katz, and McKersie, 1986; Walton, 1985; Cole, 1989). In some companies, the human relations function even became an integral part of corporate strategy. In these settings, a core group of personnel professionals and academic experts were central to the recasting of labor-management relations into a new framework that fused elements of an older industrial relations or personnel approach with an expansive view of the employment relationship as a key organizational asset.

3.2 The Creation of Standards

Another significant area in which neoinstitutional research has made important contributions concerns the salience and ubiquitous nature of standards (Brunsson and Jacobsson 2000). We consider the creation of

standards that guide the activities and behavior of a class of organizations as an entrepreneurial act. The modern social world is replete with various kinds of standards or rules of behavior that are thought to improve human conditions. At the most general level, there are two kinds of rules: some rules are described as voluntary, while others are described as mandatory or as directives. The distinction is an analytical one; empirically the same rule can be mandatory for a certain set of actors, while for others it is conditional. For example, the rules governing basketball games of the National Basketball Association are mandatory for all NBA franchises, but are rarely followed in local playground basketball games. In other words, whether a rule is a binding directive or a standard to follow voluntarily depends largely on one's membership in particular collectivities.

From how to play a game of basketball to how to organize a school, or how to report a financial transaction or the steps to prepare osso buco, standards are everywhere in modern life. Similarly, self-proclaimed experts who know best how certain things should be done increasingly populate the modern world. Some of these experts, armed with professional knowledge, have more legitimate professional claims than others, and therefore their preaching is more readily followed than that of other less legitimate proselytizers. In this vein, Jacobsson (2000:40) has observed that: "Reference to expert knowledge is often used to give standardization legitimacy." This observation parallels Sutton and Dobbin's (1996) argument about the role of mature professions as "settlers" that theorize and help institutionalize certain practices or models in an organizational field.

Increasingly, these experts—self-proclaimed and otherwise—and professional groups, operate at the global level. Haas (1992) described networks of professionals with authoritative claims to expertise in a certain issue domain or a body of (policy relevant) knowledge as "epistemic communities." Abrahamson and Fairchild (2001:148), examining a more commercial and market context, point out the growing importance of "knowledge industries" and "idea entrepreneurs" in the contemporary world. The former refers to "set[s] of organizations that produce substitutable knowledge products" and the latter, to actors that operate within knowledge-intensive industries.

While both standards and standardization are frequent and have become a routine aspect of an increasingly globalized society, various stages of standardization involves moments of (institutional) entrepreneurship. Initial conceptualization and construction of a standard or a model and its subsequent championing involve considerable entrepreneurial activity and zeal—in both the traditional sense of entrepreneurship, as well as from an institutional perspective. Each step of standardization involves various actors, including original innovators, proselytizers, and proselytes, and these actors, if successful, contribute collectively to the wide diffusion and eventual

institutionalization of a standard or model. Nevertheless, the processes of popularization and institutionalization of particular models may require more than expertise or professional knowledge, which although a crucial ingredient that provides credibility and legitimacy, may not be sufficient. Proselytizers often deploy significant social and political skills to convert would-be followers to adopt a given model or technology as a standard (Fligstein 1997, 2001; Garud et al. 2002; Hargadon and Douglas, 2001).

Garud et al. (2002), in their study of Sun Microsystems' sponsorship of Java as a technological standard, illustrate the challenges an individual firm faces in sponsoring its own technology as a common technology standard. In making Java an architectural standard for the Internet, the importance of political and social skills to negotiate through difficulties in the process cannot be overstated. In sponsoring Java as a common standard, Sun Microsystems initially relied on an "open systems" strategy by allowing third-party developers to download Java for free and to aggressively market their product. Further, in drafting licensing agreements for commercial use, Sun permitted licensees to modify the technology as long as the modifications were freely shared with Sun and other licensees (Garud et al. 2002). As a result, Sun was successful in mobilizing firms around its technological standard so that Microsoft, who had been developing its own alternative software, had to license Java.

There is an inherent tension, however, in technology sponsorship. "To enable Java's evolution into a technology that justified its original promise, Sun had to allow members of the collective to adapt it for their own use. At the same time, Sun had to exercise control to ensure that the technology was not compromised by the creation of incompatible versions" (Garud et al 2002:204). Thus, as the technology became widely accepted as a standard and licensees developed their own modifications, Sun faced the problem of fragmentation within the Java field. Consequently, Sun attempted to prevent fragmentation with its certification initiative to test the compatibility of different Java applications. This attempt to control the standardization process, coupled with Sun's introduction of Java-based products that essentially competed with Sun's licensees created concerns about Sun's credibility as a technology sponsor. Further, Sun's initial refusal to hand over the control of Java to a neutral international standards body, such as the International Organization for Standardization, further exacerbated the problem.

The case of Sun Microsystems and Java illustrates the difficult process of standardization, particularly the challenge of juggling the dual roles of creator and enforcer. In the process of standardization in a competitive setting, Sun was increasingly seen as changing rules of the game to favor and advance its own self-interests. This tension points to the necessity or importance of a division of labor among the participants involved in

standardization, as well as institutional change more broadly: creators and mobilizers, on the one hand; and rule enforcers, on the other.

Bengt Jacobsson (2000:45) has noted that there may be a comparable conflict between professional expertise and standardization: “If standardization is carried too far, as with systems of medical knowledge, it may even be viewed as a threat to professional expert knowledge.” That is, if professional authority and prestige stem from the exclusive control over a particular domain of knowledge, then standardization and the consequent routinization of expert knowledge could undermine and threaten the legitimacy and the social standing of professional groups who are the “standardizers.” Many innovators may not have the necessary entrepreneurial skills and/or the willingness to propagate their innovation without being perceived as engaging in a power grab. Moreover, the inherent difficulty of juggling the dual responsibility of creation and enforcement may hamper the prospects of standardization.

While the Sun-Java case illustrates the challenge of sustaining the dual responsibilities of innovator and propagator, there are increasingly more organizations and individuals that take on the propagation role. The International Organization for Standardization (better known as ISO) is one of the most often-cited examples. Founded in 1947 in Geneva, Switzerland by representatives from 27 national standardization associations, ISO has grown into a global organization with 76 members as well as 22 corresponding and 4 subscriber members (Loya and Boli 1999).³ ISO has published over 9000 sets of standards in over 500,000 documents since its founding in the middle of the last century.

In a rapidly globalizing, acephalous world in which there is no dominant regulatory authority, ISO has become a significant force in global governance and coordination (Mendel 2001; 2002). Between the introduction of its famous ISO 9000 Quality Certification in 1987 and 1999, over 400,000 certificates have been issued to organizations in 158 countries and territories. Indeed, “quality certification has emerged as a key organizational practice helping companies worldwide establish rationalized production processes” (Guler et al. 2002: 208-209). The spectacular growth and prominence of ISO, however, begs the question: why?

The answer seems to lie, more than anything else, with the disinterested and rationalized nature of ISO as a neutral and democratic body, uncorrupted by private interests. As Loya and Boli (1999: 181) aptly put it: standardization is perceived as “the rational means to solve some of humanity’s most serious problems.” As an organization involved in such endeavors, ISO’s stated goal is to “promote the development of standardization and related activities in the world with a view to facilitating international exchange of goods and services, and to developing cooperation

in the spheres of intellectual, scientific, technological and economic activity” (quoted in Guler, Guillen, and Macpherson 2002: 208).

There are various categories of actors who have strong interests in developing and spreading ideas and standards. Such groups have been referred to as carriers (Sahlin-Andersson and Engwall 2002; Meyer 2002; Jepperson 1991), translators (Czarniawska and Sevón 1996), knowledge entrepreneurs (Abrahamson and Fairchild 2001), teachers of norms (Finnemore 1993), and “others” (Meyer 1994, 1996; Meyer and Jepperson 2000). Typically, such groups seek to promote and expand their agendas, while not directly challenging dominant institutions. Nonetheless, sometimes their activities result in institutional change indirectly (Sahlin-Andersson and Engwall 2002: 293-296).⁴

Many diverse participants can facilitate or trigger institutional changes even if they are not dominant members of a given field, nor particularly interested in shaping the field in their own image or interests. They do so by way of carrying out their routine activities as carriers and translators of standards, standardized models, and templates. Finnemore’s (1993) case of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) and its role as the teacher of norms regarding the virtues of science policy organizations for modern nation-states in the post-World War II period is a good example. Initially, UNESCO’s science programs were aimed to “increase the world sum of scientific knowledge and access to that knowledge without regard to national boundaries” (Finnemore 1993: 577). As such, its programs served science and scientists rather than nation-states. In the context of the shifting international climate during the Cold War and the rising tide of national self-determination in the 1960s, UNESCO shifted the focus of its science programs from international nongovernmentalism that favored science and scientists to the national or statist conception of science in which science was increasingly seen as a means to national development and progress. Consequently, UNESCO became an advocate for the importance of national science policy making. UNESCO’s shift in focus reflected a need to adapt to the changing international climate to remain relevant on the international scene, but its promotion of science at the national level led to the widespread diffusion of science policy organizations around the world over the last few decades. In turn, these organizations contributed to the theorization of the role of scientific institutions in national innovation systems. For example, Jang (2000) showed, in his study of the worldwide diffusion of science and technology ministries, a dramatic increase in the number of countries adopting a cabinet level ministry concerned with science and technology, particularly since the 1960s. We should note that UNESCO does not fit many conventional definitions of an actor. Nonetheless, UNESCO’s advocacy of the conception of science as a primary means for national development and national science policy led to significant changes in ministerial structures of

contemporary nation-states worldwide as states increasingly incorporated science and technology ministries to their expanding governmental structures (Kim, Jang, and Hwang 2001).

3.3 Rule Making and Institution Building

While standards are voluntary, there is another category of rules that can be described as mandatory. The main distinction between these two categories is analytical, whether particular rules or standards can be voluntary and binding depends on the contexts in which they are observed. As with cases of standardization, rule making and policy innovation stem from entrepreneurial efforts by skilled actors (Fligstein 1997, 2001). Indeed, the idea of a political entrepreneur was introduced by political scientist Robert Dahl (1961:6) to characterize a leader who “is not so much the agent of others as others are his agents.” Subsequently, the policy innovation literature (Kingdon, 1984; Polsby, 1984) characterized political entrepreneurs as individuals “who put forward new ideas and, through the skills of brokering and coalition building, succeed in building the requisite support to get new policies adopted” (Sheingate, 2003:188).

Motivating others to participate in collective action to further large-scale rule-making projects, such as the efforts in building the European Union, demands a high level of skill at institution building. The task of an institution builder is to produce shared agreements and to “frame stories that help induce cooperation from people in their group that appeal to their identity and interests, while at the same time using those same stories to frame actions against various opponents” (Fligstein 2001: 113). In doing so, political entrepreneurs rely on a repertoire of tactics, including the use of legitimate authority, agenda setting, and brokering. Policy entrepreneurs innovate by joining problems, policies, and politics (Kingdon, 1984:182). Thus, entrepreneurs shape the terms of political debate by influencing agendas and constructing cultural frames, which are “representations of collective problems and solutions that help other actors to link their own interests and identities to a collective purpose” (Stone Sweet et al. 2001: 8-9).

Fligstein has applied his notion of social skill to the case of the integration of Europe, notably to the European Union’s Single Market Program (Fligstein and Mara-Drita 1996). The European Commission, under the leadership of Jacques Delors, played the role of institutional entrepreneur. The “completion of the single market” functioned as a cultural frame, one that was sufficiently open so that many parties could see their agendas as associated with it. In the early 1980s, many European states were experiencing severe political and economic crises, often dubbed “Eurosclerosis.” Political entrepreneurs often exploit uncertainty or crises to

engage in creative acts of political innovation (Schneider and Teske, 1992; Sheingate, 2003). The European Commission's Single Market Project came to be seen as an encompassing plan for Europe-wide institutional change, appealing to numerous stakeholders in the European Union. Both businessmen and supporters of deregulation who wanted to break down trade barriers, as well as nation states looking for cost-effective solutions to ameliorate political and economic malaise, joined in support.

Successful political entrepreneurs are able to consolidate innovations, producing political or social change that has enduring effects in the form of new programs, policies, or organizations. Carpenter (2001) analyzed the process of state formation in the United States, where small pockets of professional autonomy existed within the larger realm of 19th century political patronage networks. Entrepreneurial professionals helped carve out bureaucratic autonomy in the post office, agricultural extension programs, the Food and Drug Administration, and other executive agencies. In so doing, these political entrepreneurs generated endogenous institutional change that transformed the early 20th century federal government.

Not all entrepreneurial activity stems from such explicit acts of creativity, however. In other circumstances, windows of opportunity can be the unintended result of rule-making. Legal or political change can provide opportune moments for entrepreneurs to act in ways completely unanticipated by the rule makers. Several dramatic changes in recent U.S. history stem from the unintended consequences of federal legislation.

In 1965, Medicare and Medicaid were added to existing employment-based forms of insurance. But the Medicare and Medicaid programs were beset with real problems concerning the price of health care services, which varied widely across states and providers. In 1983, Medicare replaced its cost-based reimbursement with a per-case methodology. These new tools were designed to standardize health care pricing and usher in cost controls. Prior to the early 1980s, there was limited for-profit involvement in health care, and those commercial entities that existed were locally owned. The primary providers of health services were public and non-profit organizations. But standardizing prices had the unintended effect of creating a stampede by investor-owned corporations into the health care field (Gray and Schlesinger, 2002; Scott et al, 2000).

The reimbursement changes rendered an unpredictable market much more rationalized and calculable, and for-profit firms quickly moved into selected areas of health care where they saw the opportunity to deliver high volume services at a lower cost than the fixed price of government reimbursement. The new investor-owned corporations, which had little contact with and no personal knowledge of the facilities owned by their companies, became the dominant force in dialysis centers, rehabilitation hospitals, home health delivery, and outpatient mental clinics. In attaining this market dominance, the for-profit entrepreneurs crowded out local

commercial proprietors, public services, and nonprofit service providers, and transformed health care from a professional service into a business. Scott et al (2000) capture this change beautifully in their linguistic analysis of health care journals. The doctor-patient relationship has been replaced by a health care provider-consumer relationship, and a stable professional field was transformed, for better and worse, by entrepreneurial for-profit interests.

A similar story characterizes legislation passed in the 1980s to encourage the construction of low-income housing. In the omnibus 1986 Tax Reform Act, a small error in the legislation afforded investors a double tax credit for investing in inner-city housing (Guthrie and McQuarrie, 2003). With this opening, major banks reorganized their lending programs and made low-income housing projects a significant and profitable part of their portfolios. Over time, community organizers, philanthropic institutions, local politicians, and construction companies joined with the banks to create a powerful lobby that was able to both persuade Congress not to close the tax loophole and to generate a half-private/half-public constituency for community investment. Again, the unexpected effects of legislation spurred new types of activity. Entrepreneurs rushed in to construct new housing units in inner cities, which were very much in need of this infusion of resources. Community activists choose not to contest the extremely generous tax breaks these entrepreneurs received, and instead allied with them in the cause of urban revitalization. More abstractly, both the housing and health care cases represent a growing trend toward the privatization of public services in the U.S., a broad societal change in which institutional entrepreneurs have had a major hand.

We turn now to cases where the efforts of activist entrepreneurs to transform the political landscape produced unexpected outcomes. Clemens' (1997) study of the early origins of interest group politics in California, Washington, and Wisconsin during the Progressive Era (1890-1925) provides a vivid case of a profound, but unintended, transformation of American political life. Farmers, labor unions, and women's groups were all actively engaged in efforts to influence politics. On the surface, labor seemed to hold all the cards - - strength in numbers and resources. Agrarian groups, while less numerous, were well connected to both legislators and the federal bureaucracy and had strong champions in the Department of Agriculture. Women, on the other hand, did not even have the right to vote.

Clemens deftly shows, however, that precisely because women were disenfranchised, they were "insulated from cooptation by the predatory system of party politics" (1997:13). This insulation afforded space for experimentation, a kind of organizational and cultural autonomy that allowed them to develop a repertoire of political tactics that were both highly effective and regarded as non-partisan. The use of novel tactics - - luncheons, lobbying, evaluation, close ties to state social service agencies, and public

education - - eventually lead to women's enfranchisement, child labor laws, prohibition, and widespread adoption of maternalist social policies. As one Washington state suffragist explained, "We worked for our vote in womanly ways, for we weren't men and we didn't want to be men, therefore, we didn't propose to try to get our vote in the way that men would" (Clemens, 1997:185). Seen from the viewpoint of the early 20th century American political landscape, the accomplishments of the suffragists and the failure of labor is best described in biblical terms - - the last was first, the first last. The seemingly least powerful political groups accomplished the most.

Yet viewed through jaded 21st century political eyes, the accomplishments of the women's movement look rather different. Indeed, once women gained full standing as citizens, they promptly lost political power. The political innovations they introduced were quickly adopted by imitators. Moreover, the non-partisan "business model" of political engagement that women developed proved to be a profound innovation that transformed political life from involvement in party politics to professionalized interest group politics. The very reforms and non-partisan innovations that women introduced became the staple of organized special interests. Thus, the energetic actions of political entrepreneurs to avoid the corrupt world of party politics had the unintended effect of creating a new, more contentious, interest group politics.

A comparable case of institutional change as unintended consequence is illustrated by Rao's (1998) historical research on the origins of nonprofit consumer watchdog organizations (CWOs) in the United States. Numerous factors, including rising disposable income and expenditures on consumer goods, growing product choices, an increase in advertisements appealing to emotion, and the lack of product liability laws, created a window of opportunity for the emergence of CWOs in the early decades of the 20th century. Taking advantage of this opportunity was a group of institutional entrepreneurs who engaged in classical Schumpeterian entrepreneurship of combining previously unrelated elements: rational and scientific testing practiced by standards organizations and trade associations with the idea of consumer service, which had been gaining legitimacy among increasingly professionalizing businesses and advertisers. Consumers Research (CR), the pioneering CWO, "...sought to reform the system of production so that waste was reduced and producers served customers by making goods needed by customers and charging fair prices. The tools of control were product standards and scientific tests" (Rao 1998: 930). Consumers Research adopted a definition of the consumer as a rational decision maker; thus, the purpose of CWO was to be an impartial tester that would help consumers get the best value.

While CR successfully carved out a niche, it soon became riddled with an internal debate about its role, eventually culminating in the founding of the Consumer Union (CU) by a splinter group. The main point of

contestation was the definition of the consumer, and the scope and boundaries of CWOs. CU, in stark contrast to CR's focused approach to impartial scientific testing, "sought to provide information to consumers, to improve standards of living, to rely on testing and boycotts, and to serve two constituencies—consumers and workers" (Rao, 1998: 937). Further, inspired by labor issues, CU viewed socially responsible buying and collective action as tools to improve working conditions and create decent living standards for consumers, and saw its mission to promote social justice as an engine of radical social change.

CR and CU represented two clear alternative frames of CWO - - the former blending features of standard-setting organizations, and the latter elements of trade unions. Neither CR nor CU had a clear technological advantage over the other; hence, competition between the two hinged on the endorsements by powerful groups. CU's radical frame proved to be difficult to sustain as its social change orientation came under heavy attack from politicians, the media, and rival entrepreneurs. By the 1950s, CU gradually dissociated itself from its radical agenda and embraced a scientific view. During the post-war period, CU reconstructed itself as a paragon of impartial scientific testing, adopting the frame initially put forth by its rival, CR. Moreover, CU proved to be better than CR at its own game. By the mid-1950s, CU's ratings could make or break a company. At the onset of the rivalry between CU and CR, it would have been difficult to predict which organization would emerge victorious. When CU eventually triumphed, it was with the strategy of its rival. Thus, CU became the leader in the consumer's movement by retreating from its social change agenda.

We see abundant entrepreneurial activity in circumstances of rule-making and institution building. Political entrepreneurs have both championed causes and seized opportunities to bring about institutional change. The outcomes of such institutional transformations can, however, be surprising and unexpected, and may lead to changes that far exceed the goals or expectations of those who initiated these efforts.

4. THE EMERGENCE OF NEW INSTITUTIONS

Much of the extant research attends to questions of institutional change, much less work examines how entrepreneurs contribute to the creation and emergence of new institutions. Consequently, our survey is briefer here, but we hope to contribute by outlining several key processes that inform how new institutional logics and identities emerge and displace older logics.

4.1 Theorization and Elaboration

Ferguson's (1998, 2004) analysis of the emergence of French gastronomy in the 19th century and Rao, Monin, and Durand's (2003) analysis of the nouvelle cuisine movement in the late 20th century provide rich examples of the rise of new institutional logics and identities, and the decline of established orders, which have led to the emergence of new institutions. The former study looks at the creation of the gastronomic field and the nationalization of a standard of French cuisine that came to dominate the French culinary culture, and become the global standard for grand cuisine. The latter study analyzes how the rise of the nouvelle cuisine movement, based on a different institutional logic and role identities, replaced the established order whose emergence and consolidation Ferguson documented so well.

Ferguson (1998: 602) traces the origin of gastronomy as "the systematic, socially valorized pursuit of culinary creativity" to 19th-century France. Gastronomy as such meant a fundamental break with the older culinary tradition that preceded it and wholesale changes in the practices, ideas, rules, and institutions surrounding the production and consumption of food. This movement eventually led to the rise of gastronomy as a self-reproducing cultural field, which marked French cultural life and established French cooking as one of the world's major culinary styles.

A combination of factors provided the opportunity for the emergence of this new culinary field. The collapse of the ancien régime and the end of cyclical famines in the 18th century cleared numerous constraints. The surplus of trained chefs after the monarchy's downfall, abundant food from the countryside, and a marked increase in a mobile middle-class, bourgeois population in urban areas led to an active restaurant life in the early 19th century. But these material conditions did not, in and of themselves, create a world of gastronomy and high culinary standards. More directly important were the activities of influential chefs and gastronomic journalists who gave shape to new standards of cooking and eating. In particular, it was culinary discourse that provided the primary vehicle for this transition into a cultural field. Ferguson (1998: 610-612) argued that given the ephemeral nature of culinary products, the gastronomic field's reliance on texts or writing was almost absolute: "If words turned food into culinary texts, these texts inserted gastronomy into a field. They set the culinary agenda and instituted the cultural debates that defined the gastronomic field as well as the logic that determined relations within this field."

By actively engaging in culinary discourse, these influential individuals defined the gastronomic field. The critics systematized culinary knowledge, prescribed manners for diners, and specified professional standards for chefs. For example, Grimond de la Reynière laid down the theory or law of gastronomy for consumers. Antonin Carême "legislated for

the practitioner” (Ferguson 1998: 613) through his culinary treatises that systematically examined the bases of French cuisine from pastry and soups to sauces, thereby cementing the methodological basis for professional practice. While Grimond and Carême addressed diners and chefs, respectively, Brillat-Savarin’s contribution was to reach out to the readers who were not directly involved in the production or consumption of culinary products. In this sense, the readers consumed gastronomic commentaries and texts not to learn how to cook but to learn how to appreciate the act of eating. Put differently, culinary discourse became a meal in itself. Further, by advocating for the science of gastronomy and the sociology of taste that established correlations between the social and culinary attributes of taste, Brillat-Savarin’s vision of gastronomy was a distinctively modern social practice. In doing so, he placed gastronomy within a larger French cultural and intellectual context. Gastronomy’s place in this larger context was further buttressed by the writings of writers located outside the field. For example, Fourier’s writings “intellectualized gastronomy ... by making connections to established intellectual enterprises of unimpeachable legitimacy—philosophy and political science” (Ferguson, 1998:627). Balzac, on the other hand, in his realist novels depicting French society of his time, gave great significance to the consumption of food as a social and psychological indicator of modernity, thereby linking literature and gastronomy.

The French gastronomic field became the archetype of a grand cuisine, and was widely institutionalized world wide in cooking schools, restaurants, and cookbooks. But in the 1970s, a counter-movement known as *nouvelle cuisine* emerged, energized by various “antischool” movements such as *le nouveau roman*, *la nouvelle vague*, etc., and more generally by the protests of May 1968 (Rao, Monin, and Durand 2003). The classical cuisine in France, developed after the 1789 Revolution by the writers and chefs discussed above and further codified later by Auguste Escoffier around the turn of the 19th century, “...emphasized the restaurateur, long menus requiring huge inventories and little freshness, rituals outside the plate, flambé, and a long consumption process. By contrast, *nouvelle cuisine* emphasized the autonomy of the chef, with short menus requiring fresh ingredients and low inventories, service through the plate, and a short consumption process” (Rao et al. 2003: 798). In sum, *nouvelle cuisine* arose as a critique of the “old school” and marked a clear break with it.

Unlike the other French protest movements of the 1960s, *nouvelle cuisine* was promoted by culinary elites who had advanced to the center of the French culinary world. In other anti-school movements such as theater, film, and literature, new entrants were at the forefront in challenging the established order. With cooking, however, established chefs took the lead, due to the lengthy and arduous process of professional training. Rao et al (2003) suggest that the elite underpinnings of this “protest” movement in the

gastronomic field accounts for the failure of the traditionalists to launch a successful counter mobilization. Indeed, the *nouvelle cuisine* movement displays several significant similarities to the rise and institutionalization of the French gastronomic field and its classical cuisine.

First, the emergence of gastronomy in the 18th century in France involved a process of articulation through which cooking came to be linked to other near-by cultural fields. Similarly, the anti-authoritarian movement, which had been brewing and visible in various forms of anti-school movements, finally culminating in the events of May 1968, indirectly precipitated *nouvelle cuisine* (Rao et al. 2003). Second, in both classical and *nouvelle cuisine*, the established order afforded considerable legitimacy to the new cooking style. For example, Antonic Carême's professional success during the ancient regime and continued association with the royalties of various European monarchies cemented his status as the leading chef of his time. Similarly, it was the conversion of three-star chefs such as Paul Bocuse from classical cuisine to *nouvelle cuisine* that facilitated the emergence of the latter. Not only were these early converters accomplished chefs, they were also prominent in the professional society of French chefs, occupying key positions in powerful committees. Therefore, early converters or activists brought "sociopolitical legitimacy" to the nascent movement and were able to control access to political resources and influence the professional society's agenda (Aldrich and Fiol, 1994). Finally, as with the rise of the classical cuisine, the propagation of *nouvelle cuisine* in culinary discourse by sympathetic journalists helped popularize the new style.

The French culinary tradition is an example of entrepreneurial efforts that defined novel standards that created the field of gastronomy. In turn, these culinary standards came to be widely accepted and broadly identified as a key element of French culture. The culinary tradition was further refined and theorized, enabling its broad diffusion worldwide. Ferguson (1998) suggests that French and Chinese cooking have become the two major cuisines in the world, in large part because of the surrounding practices and texts that support and elaborate them.

The preceding two episodes of institutional change in French gastronomy underscore the role of theorization in the rise and decline of institutional logics. Theorization refers to "both the development and specification of abstract categories, and the formulation of patterned relationships such as chains of cause and effect" (Strang and Meyer 1994: 104). Theorization makes possible cultural understandings that certain entities belong to a common social category, and facilitates diffusion among comparable actors by enhancing perceived similarity among them. For example, modern nation-states are perceived to be equivalent, which, in turn, enhances the diffusion of practices across nation-states, despite extreme variation in their level of development (Meyer et al. 1997).

Theorization not only aids diffusion, it is of paramount importance in the emergence of a new institution. Theorization by influential French chefs and culinary journalists defined the role and identity of chefs and the eating public, thereby giving rise to the pursuit of culinary creativity and consumption as an identifiable field. Moreover, with the professionalization of French gastronomy, further theorization and elaboration by the elites of the field made possible a seamless, almost resistance-free, transition to a new institutional logic and culinary style.

4.2 The Transposition of Institutional Logics

Large-scale creation of de novo institutions is not commonplace. Cases like the emergence of a French gastronomic field represent profound societal changes. A more typical mechanism for institutional emergence is refunctionality, by which we mean the transposition of institutional logics from one domain where they are common and accepted into a new, unfamiliar domain. Friedland and Alford (1991) noted that the core institutions of modern society - the family, the market, the polity, organized religion, etc. - have taken-for-granted schemas associated with them. These mental cognitions are closely linked with external rituals and practices. Thus, institutional logics are typically distinctive, even rivalrous. To act like one does when buying a used car at the family dinner would draw scorn from other family members, while treating a used car salesman like one would treat a family member would lead to being exploited. Consequently, most transpositions of logics are punished, but when logics from an existing domain are imported into a new, open domain, such a move may be successful and create new opportunities.

Let us return to cooking for an example. Unlike France, the United States does not have a distinguished or elaborated culinary tradition. To be sure, there are regional schools and various distinctive regional dishes. But there is no highly theorized American school of cooking, and cooking and dining in the U.S. have few of the rituals or romance of French or Chinese cuisine. Indeed, if the U.S. is known for anything around the world, it is fast food, the antithesis of a grand culinary tradition. But over the past few decades, a distinctive American style has emerged that emphasizes fresh, high quality organic ingredients, taking the garden into the kitchen.

This culinary school had its origins in the 1960s counter-culture movement, and its phrase "you are what you eat." The 1960s political logic of opposition to large corporate interests and American capitalism was nowhere more pronounced than in Berkeley, California. Thus, it is not surprising that in the 1970s the political logic was transposed from the world of protest into a lifestyle. Berkeley, California is today known for its

restaurants and shops, most notably Chez Panisse and the Cheese Board. The founder of Chez Panisse, Alice Waters, has trained hundreds of apprentices and chefs who have gone on to start their own restaurants around the country, propagating her style. The Cheese Board has become the purveyor for high-quality California cheeses and baked goods, and helped create a mini-industry in Northern California for distinctive food products.

Our point is not to pique the reader's appetite for food, however. The analytical point is how radical protest that was actively repressed and policed found an opening in the empty American culinary field. The "small is beautiful" political phrase converted in the new culinary universe into support for family farms, organic foods, and all manner of heretofore unknown vegetables, fruits, spices, and types of seafood. The Berkeley entrepreneurs successfully transposed politics into food that was natural and sensory, and in so doing, politicized eating.

Other comparable illustrations of the process of refunctionality can be found in Renaissance Florence or in contemporary American research universities. For example, in early Renaissance Florence, transpositions might entail the use of a family tie (e.g., a father-son relationship) in a business partnership, or a family member (e.g., a daughter) could be married off to cement a political alliance (Padgett, 2000). In such cases, family linkages became the medium through which financial or political opportunities were pursued. By utilizing family or polity connections in business, entrepreneurial Florentines were able to create multi-product enterprises, combining wool, silk, and banking in ways that other businessmen had been reluctant to pursue (Padgett and McLean, 2005). In the contemporary field of the life sciences, an invisible college of research scientists might be activated to pursue a business opportunity, as when a group of prestigious researchers at several universities, who are making progress understanding the mechanisms of a specific disease, join together to found a science-based company (Powell, 1996). To some faculty and at a few universities, these acts of academic entrepreneurship have been unwelcome as they bring about an unholy marriage of science and property. But at many research universities, a focus on the commercial application of high-impact science has been warmly embraced (Powell and Owen-Smith, 1998; Owen-Smith and Powell, 2001; Mowery et al, 2004). In both cases, the coin of the realm in one domain - - family or science - - becomes the entry ticket into a new domain.

Transpositions such as these commonly disrupt established arrangements; hence they are actively resisted, sometimes harshly, by incumbents. Occasionally, however, existing institutions can be perturbed to the point where transposed logics are amplified through feedback loops. Consider, for example, the current unraveling of the welfare system in many industrial democracies, and the creation of "markets" for various social services formerly provided by the state, most notably in education and health

care. When such profound transpositions do occur, entire fields can be reshaped, and new organizational models and practices are adopted. Moreover, the transposed logics that initiated this chain reaction (e.g., consumer choice in health care or running schools like a business) acquire heightened legitimacy.

5. SUMMARY AND IMPLICATIONS

The goal of this chapter has been to survey the neoinstitutionalist literature on entrepreneurship, with special attention to the idea of institutional entrepreneurship. We have taken a reflexive stance that the growing interest in the idea of institutional entrepreneurship, in a theoretical tradition that has emphasized the relative fixity of institutions and treats change as an exception rather than the rule, represents a fundamental theoretical shift in the collective understanding and conception of an actor. This shift is not limited to this particular theoretical tradition alone, and represents a more general trend in society at large. In this vein, we have contrasted the historical and anthropological description of entrepreneurs as outsiders or strangers with the modern western conception of empowered actorhood, which locates agency in individuals and legitimates them as the primary unit for action or “entrepreneurship.” Individuals and organizations—as collections of individuals—are assumed to have the capacity to engage in creative activities. Further, more domains of activities are increasingly (re)framed in this light. To wit, small businesses are recast as start-ups and as sources of innovation, value, and jobs; and elements of the counter-culture are transformed as social entrepreneurship. What is more, it is assumed that all these activities can be taught and learned, as evidenced in the rapid rise in entrepreneurship courses and publications. Taken as a whole, this movement represents an institutional change of significant proportion and should be taken up as a dependent variable to be explained by any enterprising institutional theory.⁵ Consequently, why and how this particular essentially modern and western conception of empowered individuals gains legitimacy over time and expands to various settings is a crucial, under-analyzed question. With this trend in mind, we have reviewed several strands of research that address the issue of how changes in existing institutional arrangements can be considered entrepreneurial acts. We have maintained a constructivist persuasion and viewed entrepreneurial activities that lead to institutional changes as often purposive, but not directly intentional, thereby paying close attention to existing institutional structures, historical contingencies, and unintended consequences.

Although we have organized the section on institutional entrepreneurship in two broad parts, many themes cut across both. So we

summarize the major themes that are common in the studies discussed so far, and in the general institutional literature.

5.1 Professionals and Socially Skilled Actors

In much contemporary research professionals and experts are identified as key institutional entrepreneurs, who rely on their legitimated claim to authoritative knowledge or particular issue domains. This view is most explicit in the role of lawyers and personnel professionals in the promulgation and diffusion of various employment practices. Similarly, the standardization literature points out how experts, on the basis of scientific and technological knowledge, espouse and proselytize standards that are thought to improve various aspects of human conditions and how readily their advice is followed voluntarily. Professional groups are highly stratified with regard to their claims to legitimate authority, and this ranking is conditioned by existing institutional arrangements. Personnel professionals, unconstrained by professional orthodoxy, innovated and experimented with novel practices, but it was the credentialed and more mature professionals, particularly lawyers, that sealed a stamp of approval for novel practices. Further, as in the case of *nouvelle cuisine*, when the field reached a certain level of professionalization, the conversion of the elites of the profession legitimated a new style of cuisine and led to a field-wide conversion.

While professional authority is important ammunition in the sovereign professions' arsenal, proselytizers often employ significant social and political skills to persuade potential converters. The case of Sun Microsystems illustrated the difficulty of sponsoring a technological standard. The main problem, largely stemming from Sun's attempt to juggle the dual role of innovator and sponsor, was that licensees increasingly came to view Sun Microsystems as self-interested, changing the rules of the game for its own advantage at the expense of licensees. Standards and practices are adopted voluntarily because actors are persuaded to see the benefits—real or not—in doing so. Similarly, when personnel professionals advocate for particular employment practices, they present their solutions as serving the interests of the employer, although those practices may advance their professional standing within the organization. Indeed, the world is filled with these kinds of “disinterested” actors and their advice and recipes that purport to improve human conditions.

Studies on policy innovation and large-scale institution building discuss elements of social and political skills more explicitly. The main task for institutional entrepreneurs is to forge shared frames that bring together actors with disparate interests in institution building projects. The European Union's Single Market Project was one such instance in which the EU leadership provided solutions to similar problems faced by European states,

while advancing their goal of the development of a larger collectivity. Institutional changes can occur when institutional entrepreneurs transpose an existing frame from one sphere to another (e.g., Chez Panisse, the Medici in early Renaissance Florence, or the field of life sciences) and or recombine an existing frame or cultural materials in a novel way (e.g., consumer watchdog organizations).

5.2 Theorization

Professional authority breathes legitimacy to what professionals advocate, and persuasion is supported by the abstract elaboration of ideas. At the most general level, the grand theorization of modernity has been to specify human beings as the fundamental unit of social action, and to construct the universal and abstract category of an “actor,” underscoring the celebration of entrepreneurship and the recent expansive interest in institutional entrepreneurship. In this sense, theorization, by creating abstract categories and facilitating perceived similarity, constructs roles and identities and makes social action possible. In the various studies we discussed, theorization is a significant part of institutional change. In some cases, theorization purports to connect solutions to problems; in other cases, theorization involves defining identities and roles.

Employment practices were theorized and prescribed as remedies to deal with legal changes, and, at the same time, these practices would, personnel professionals argued, rationalize human resource management, thereby improving productivity while protecting employees and employers from discrimination and legal liability, respectively. In other words, professionals’ theorization persuaded employers to see the multiple benefits of proposed employment practices. Consequently, theorization is often couched in the language of efficiency and equity, or more broadly progress and justice. And successful theorization of ideas or models relies on one or both pillars of the modern western cultural account. As such, theorization serves as a functional analysis, explaining why various rules and standards help achieve collective goals.

Theorization also defines identities and roles. In the case of French gastronomy, theorization in the form of culinary discourse defined the proper role of chefs and diners, as well as the eating public in general. Further, writings by outsiders such as novelists and philosophers defined the gastronomy in relation to other cultural fields. The case of consumer watchdog organizations suggests that there may be competition between different conceptions of a new organizational form, with each deriving its legitimacy from one of two pillars of modernity - - Consumers Research from efficiency or progress and the Consumer Union from equity or justice.

5.3 Unintended Consequences

Finally, several studies in our discussion suggest that institutional changes may result as an unanticipated consequence of unintentional, but purposive activities. For example, privatization of health care was partly an unexpected effect resulting from changes in Medicare's pricing tool from cost-based reimbursement to a per-case methodology. Similarly, the 1986 Tax Reform Act had the unintended consequence of giving rise to a new industry of low-income housing in which an unlikely partnership among community activists and banks developed to revitalize inner-city housing. In these cases, the resulting institutional changes were surprises, and not the intended goals of those who campaigned for them. This outcome is most vividly shown in Clemens' study of the origins of interest group politics. Women, as a disenfranchised group, successfully fashioned novel tactics to achieve enfranchisement, which was the intended goal of the movement. When successful, these novel tactics were copied by others, fundamentally reshaping the American political landscape.

More generally, the literature we have surveyed suggests the need for a more nuanced understanding of institutional entrepreneurs and institutional change, a view which acknowledges that actors play, directly or indirectly, a role in institutional change. In this spirit, Sahlin-Andersson and Engwall (2002: 294) argue for the "importance of involving more actors in field analyses that aim at exploring and explaining institutional change." Actors—many of them discussed here as professionals, carriers, standardizers, others, etc.—can precipitate and indirectly affect institutional change as part of their routine professional activities, as jurisdictional expansion, or as a matter of survival.

NOTES

¹ We thank the Center for Social Innovation, Stanford GSB for research support and Olav Sorenson for comments on an earlier draft.

² See Swedberg (2000) and Fagerberg (2003) for useful examinations of Schumpeter's ideas on entrepreneurship.

³ In the early part of the 20th century, a model of international standards organizations emerged. The model was that these international nongovernmental standardized organizations would only accept national standards organization as members. On the other hand, individuals, associations, government agencies, as well as organizations could become members of national standards organizations (Boli and Thomas 1997: 184-185).

⁴ Sahlin-Andersson and Engwall (2002) caution against the current usage of the concept of institutional entrepreneur, which privileges the ideas of agency and instrumentalism, and observe that much institutional change is either indirect or unintended. They call for more a contextual consideration of the role of actors, interests, and action in institutional change.

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⁵ In this regard, Meyer and Jepperson's (2000) discussion of cultural devolution has made a pioneering attempt to explain the relocation of agency onto individuals.

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