The Project of Rationalization: A Critique and Reappraisal of Neo-Institutionalism in Organization Studies

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Abstract

This article critically approaches various neo-institutional accounts of the process of formal organizing. While acknowledging the importance of the overall orientation marked by neo-institutional studies, the article identifies several crucial aspects that have escaped the attention of neo-institutional research. In particular, it criticizes the inability of neo-institutionalism to provide an account of the means linking situated forms of organizing with wider instrumental beliefs and practices, in terms other than adaptivist, diffusionist. Such a limitation is partly a consequence of unwillingness of neo-institutionalism to focus on and analyze the very architecture of the rationalized patterns and relationships which neo-institutionalists claim to be diffusing across organizational populations and fields. Drawing on several sources, the article develops a framework that seeks to outline the conceptual means for decomposing the carriers of rationalized patterns, models and techniques and showing the distinctive ways in which they implicate the building blocks of formal organizing.

Descriptors: actorhood, codification, discourse, diffusion, institutionalization, objectification, rationalization

Introduction

The themes of rationalization and modernization have always assumed a prevalent place in social theory and research. Since at least Max Weber’s time, social theorists have sought to account for the complex character of the project of rationalization by attributing central, though varying, significance to cultural factors. The rational orientation of modern society has been seen as coinciding with secularization (e.g. Tawney 1990/1922; Weber 1987), the construction of a new sort of human being, i.e. the individual (e.g. Dumont 1983; Gellner 1995), a new relationship to time (e.g. Habermas 1987; Mumford 1934), a new ethics of action, freedom and responsibility. In the more limited field of organization studies, though, there has been a tendency to treat the process of rationalization in terms of adaptation alone; i.e. organizations, organizational action and structure have been seen as responses to various objective conditions surrounding organizations (Clegg 1995). In this way, the social and cultural processes that make up the project of rationalization and shape the structure and
functioning of work organizations have either been bypassed or given an exogenous status, reified to ‘reality’, ‘society’ or ‘environment’ and treated as independent variables in cross-sectional or longitudinal empirical research.

Relatively recently, the new institutionalism in organization studies has managed to give a new momentum to the old and vexed questions associated with the project of rationalization. According to the neo-institutional view, the building blocks of organizational action — i.e. actors and roles, structures and goals, etc. — are constituted as social entities by ‘an evolving set of rationalized patterns, models and cultural schemes’ (Meyer and Rowan 1977/1991). Organizations are thus made possible as situated patterns of meaning and action by these wider instrumental beliefs and practices that neo-institutional theorists refer to as the rationalized environment. This entails pervasive processes such as property rules being increasingly codified above the level of the single nation-state and the global entrenchment of particular systems of rationalized control in work organizations, such as hierarchy and the labour contract (Jepperson and Meyer 1991: 208). In a similar fashion, organizational goals are articulated and legitimized in a generalized form that recounts rationalized beliefs and practices, while causal models and measures of resources are developed, standardized and made available on a global basis.

The neo-institutional understanding of organizations makes evident that the establishment and diffusion of similar organizational forms across populations of organizations cannot be explained by reference to objective material conditions that dictate unambiguously the efficient organizational patterns. Organizations are not responses that evolve as detached rational calculations. Rather, they are social entities, embedded in complex networks of beliefs, cultural schemes and conventions that shape their goals and practices. The realist–materialist conception of organizations as adapting systems in natural environments of resources, threats and opportunities has, thus, again been brought to the fore and criticized as inadequate, on several grounds (Meyer 1994).

However, we would like to claim that there is a dissonance between the innovative status of some of the theoretical ideas of neo-institutionalism and the conventional character of the empirical programme associated with this emerging tradition. The empirical agenda of neo-institutionalism has, by and large, explored structural isomorphism as an aspect of the bureaucratization process among firms and public organizations in modern societies (Baron et al. 1985; Boli 1987; Fligstein 1985; Mezias 1995; Orrú et al. 1991; Singh et al. 1986; Thornton 1995; Tolbert and Zucker 1983). Structural isomorphism refers to the emergence and diffusion of similar organizational forms or structural devices of formal organizing across populations of organizations. The research has covered a wide range of institutional processes, such as how organizational forms become dominant, the spread of collective definitions of strategic control, structural change induced by the recruitment of new professions and the adoption of audit and control systems. The conclusions reached in these studies emphasize
that interorganizational relationships of stratification, i.e. relationships where some organizations are leaders and other followers, play a decisive role in shaping the patterns of dissemination. Let it be noted, in passing, that this way of explaining change is actually well-known from diffusion research in general (Rogers 1983). Another major conclusion relates to the role of certain actors, especially the state and professions, as agents of change and carriers of structural devices of organizing. A pervading theme is that the formation or diffusion of specific patterns of rationalization are explained by reference to legitimacy, as the major prerequisite for organizational survival and success. This does not seem to represent a departure from the traditional adaptivist and functionalist conception of organizations as systems responding to the demands of their environment. It is merely a shift in emphasis on the salient systemic demands, i.e. from resource acquisition to normative conformity (Hasselbladh and Theodoridis 1997). It is worth noting here that already in 1951, in Parson's functionalist framework, a central insight was that systems adapt to wider values and norms.

This article will endeavour to discuss and criticize some of the basic concepts, explanations and empirical projects associated with the new institutionalism. The following section provides a critical appraisal of what we consider to be the core of neo-institutional theory. The section concludes that there is a need to move beyond the somewhat idealistic (i.e. spillover of disembodied ideas) approach to rationalization that characterizes neo-institutionalism, and consider the various ways by which ideas are objectified, i.e. developed and embedded into solid and durable social artefacts. Objectifying procedures are essential to institutionalization (Berger and Luckman 1966). A framework is thereafter presented which seeks to account for the means by which rationalized patterns or objects are developed and stabilized, whereas another section is devoted to spelling out the conditions of possibility for their diffusion. The last section shifts the focus from objectification to subjectification, which we claim to be central to the process of institutionalization. Drawing on a well-established European tradition (e.g. Miller and O’Leary 1987; Rose 1996), the section considers a highly neglected issue in neo-institutional research, namely how the embeddedness of instrumental ideas and orientations shape organizational tasks in ways that help to create distinctive forms of actorhood.

**Limitations of the New Institutionalism**

While, perhaps, no other line of research in organization studies has been as successful as the new institutionalism in bringing the issue of rationalization to the fore, several questions emerge. Among them, perhaps the most crucial is the way in which the pool of social ideas, instrumental orientations and schemes (i.e. the rationalized environment) is translated into the specific administrative patterns encountered in particular organizations or populations of organizations. The understanding of this relationship, in
terms of diffusion, assumes a relatively unproblematic adoption of these patterns by specific organizations or in specific contexts. Cross-sectional empirical investigations have largely contributed to such an understanding of the rationalization process, i.e. as an object or pattern that is carried over from a source or a departure point (e.g. state, professions, dominant or visible organizations) to various contexts or destinations (recipient organizations).

As currently practiced, neo-institutionalism bypasses the central issue of the social construction of rationalization, which it treats in terms of structural isomorphism, i.e. diffusion of the same or similar structural patterns across populations of organizations. Questions such as how some ideas or techniques achieve a remarkable visibility (e.g. privatization, outsourcing) while others fail to do so, or why some administrative patterns or objects diffuse relatively unchanged (e.g. financial models of portofolio analysis) while others are renegotiated and reinterpreted to a degree that makes them hardly recognizable (profit centres in public organizations) cannot be answered by standard versions of neo-institutionalism. These issues have occasionally been touched upon by some authors, albeit as potential limitations to be dealt with in future studies (e.g. Suchman 1995: 61).

It would not be unfair to claim that the empirical programme of institutionalism (cross-sectional investigations) is largely responsible for glossing over the process of institutionalization. However, the theoretical formulations are often too idealistic and broad to direct empirical research. Understood as the outcome of social construction, institutionalization needs to abandon the bird’s eye view of the field, and come closer to the social and cognitive means and procedures underlying rationalized beliefs and schemes of action. The development and social embeddedness of rationalized beliefs and standardized schemes of action entail several practices that need to be studied in detail. First, they involve the conception and constitution of delimited domains of action (e.g. health, work, quality), a task that is rendered possible through the objectification of aspects of the world, along measurable and governable dimensions (Kallinkos 1996; Rose 1996). Foucault, for instance, has shown that the establishment of central institutions in modern society (i.e. the clinic, the mental hospital, the prison, standardized sexual behaviour) coincides with the delineation of a social field (i.e. health, mental health, criminality, sexuality) around which one can develop systematically ideas and measurable propositions.

Second, institutionalization does not stop at the delineation of a social field or a domain of action. It further involves the development and organizational embeddedness of performance principles, specified rules of conduct and devices of control that render organizational action capable of being designed, carried out and controlled. When we claim that neo-institutionalism tends to remain idealistic, we just imply that the discursive and codifying means, by which rationalized beliefs and practices are given form, become stable and diffuse, have not been studied, at least not adequately. If rationalized beliefs and practices are to diffuse while they remain rec-
ognizable (otherwise it is meaningless to talk about diffusion), they must have certain properties that render them stable, communicable and durable. It is necessary to account for these properties, in order to make a claim for a case of diffusion reasonable, and to understand the more basic conditions under which rationalized beliefs and practices emerge, become stabilized and diffuse.

Third, the means by which objects or patterns of formal organizing are stabilized constitute action and actors. Not only objectifying but also subjectifying effects emerge from the stabilization of instrumental artifacts by oral language, textualization and formal codification. By subjectification we mean the construction of recognizable and recurrent social and organizational roles. For instance, the models and techniques of corporate finance help to bring into being various organizational roles associated with financial management. Similarly, human resource management constructs, albeit in a less codified fashion, various roles and duties for personnel administrators (Townley 1994, 1995). Institutionalization does not end with the diffusion of rationalized beliefs and practices. Rather, institutionalization is sustained and given meaning and direction through its capacity to constitute distinctive forms of actorhood. Such a capacity is contingent on the socio-cognitive means by which ideas are elaborated, and rendered solid and durable. These vital aspects must be included in the investigation and understanding of institutionalization.

On the background of these observations, it is reasonable to claim that the examination of the empirical programme of neo-institutionalism fails to account for important facets of institutionalization. Most neo-institutional studies avoid focusing on the investigation of the detailed but substantial relation between a rationalized environment and formal organizations, as sketched above. Neo-institutionalism offers no account of the means through which a domain of action is conceived, rules of conduct, performance principles and devices of control are developed and forms of actorhood constituted. It instead concentrates, by and large, on investigating the patterns of diffusion. The adoption on the part of a particular, or set of organizations of models, rationalized beliefs or practices is never related to what might be implied by adoption in terms of organizational objects, procedures and roles. Many vital questions persist. How is a domain of action delimited and what sort of procedures are implied by such a project? How are patterns of action and meaning framed and actors constituted in particular settings? By which techniques and operations are rationalized patterns constructed and sustained? What are the forms and the means by which generalized means-end thinking, conceptions of borders and relations between various collective and individual actors are established? What do we really understand about the character of institutional and organizational change from these investigations, apart from the rather obvious fact that a structural pattern — e.g. a hierarchic configuration, a control system, etc.— has moved in time and space?

The limitations in the focus and design of empirical studies can presumably be explained by reference to how the theoretical ideas have been
formulated—what they render as researchable and thinkable. We can summarize our critique in that respect in a somewhat simplified way. The neo-institutional school, as represented by the works of Meyer (1994), Scott (1994a, 1994b, 1995), Jepperson (1991) and Barley and Tolbert (1997), covers too much in certain respects and too little in some others. Due to their generality, broad definitions of the concept of institution fail to account for the distinctive character of the processes of institutionalization. In a summary of the research programme, Scott (1994b: 81) defines the study of cognitive and normative frameworks as the essence of the neo-institutional perspective. In such a definition, he includes the rules and conventions as well as the sanctioned obligations underlying the various contexts of contemporary social life. Thus, we are thrown into a field of research that has almost no limits, and also few directions about what is more or less important or relevant. Almost all aspects of social life become a possible research object. Our own suggestion is to be much more limited in terms of what an institutional perspective in organizational analysis should cover. Rather than referring to everything, the notion of cognitive and normative frameworks should be delimited to rationalized beliefs and patterns related to work and performance in the state, formal organizations or professions, at least as far as organization studies are concerned. This is not a limitation, however, because it fits in well with the goals that neo-institutional research has set for itself.

The main shortcoming is that such a broad definition of institutions fails to single out essential aspects of the processes of institutionalization. This relates to our assertion that neo-institutional concepts tend to cover too little in certain respects. Scott’s understanding of cognitive and normative frameworks (1994b) and meaning systems (1994a), Meyer and Rowan’s (1977) description of the evolving set of rationalized patterns, models and cultural schemes and Meyer’s (1994) views on rationalized environmental cultures give few guidelines for empirical research. To be sure, neo-institutional accounts of this kind contribute to an understanding of the state as a pervasive normative actor rather than as a distant regulating force; they identify important producers and distributors of sanctioned knowledge and illuminate professions as perhaps the most important global cultures of modernity, and yet, these accounts stop at a fairly general level. They highlight the existence of particular patterns of ideas about work and performance, which have acquired global status as frames for conceiving organizations. It remains unclear, though, how rationalized environmental cultures shape actors and action in organizations.

In our view, it is extremely crucial not to stop at formulations which attribute institutions the status of disembodied ideas operating ‘within the human mind’ (Scott 1994b: 98). Meaning systems and rationalized beliefs undoubtedly influence actors and organizations by defining expectations and sorting social orientations. However, institutions are not simply free-floating clusters of ideas. It is obvious that the bureaucratic form of organization is not a disembodied state that exists only at the level of intersubjective agreements in local contexts. Bureaucracy and the forms
and practices of organizing associated with it are objectified and embodied in various (legal or operational) texts, models and administrative systems. No organization could support its status as a formal system without the arsenal of verbal and numerical techniques through which its goals and operations are described, organized and controlled. A theory of institutionalization should therefore be capable of accounting for the forms by which organizational objects, procedures and roles develop and become embedded in organizations. There is a well-established European tradition that tends to analyze the patterns of formal organizing, by exploring the institutional processes by means of which social objects and distinct forms of actorhood are constructed (e.g. Cooper 1986, 1989; Hoskin and Macve 1986; Kallinikos 1996; Knights 1992; Miller and O'Leary 1987; Munro and Mouritsen 1996; McKinlay and Starkey 1998; Preston 1992; Yakhlef 1998). We consider this tradition, often inspired by the work of Foucault, as providing a bridge between the idealistic formulations encountered in the theoretical contributions of neo-institutional research on organizations and a new and needed direction for empirical studies.

Discourses and Institutions

We would like to suggest that the project of rationalization is closely associated with distinctive ways of defining reality, often referred to as discourses, and sustained by minute yet essential operations and techniques that need to be brought under scrutiny (Foucault 1980, 1988). As already mentioned, discourses and the techniques and operations associated with them involve methods for establishing delimited or specialized domains of action (e.g. health care, human resource management, etc.) and codifying rules of conduct (e.g. hierarchy, the labour contract, etc.), as well as elaborate systems of alphanumeric notation for structuring organizational tasks and measuring organizational outcomes (e.g. statistics, financial and management accounting, etc.). It is by means of discourses, and the elaborate systems of operations and techniques associated with them, that organizational goals and tasks are constructed, while organizational roles are shaped in ways that constitute distinct forms of actorhood that transcend local contexts.

It is worth observing that discourses and techniques of control do not belong to anyone, nor can they be understood as environments of organizations in the conventional sense. The conceptualization of institutionalization processes should thus avoid the imagery of transportation, imitation or domination (stratification), underlying the neo-institutional research programme. Particular discourses, and the techniques—operations associated with them, must be analyzed in considerable detail and in connection with their capacity to define and constitute the building blocks of formal organizing, i.e. organizational objects, procedures and roles. Rationalization cannot be adequately understood as simply the establishment and diffusion of regulative
structures and instrumental schemes that are adopted by various organizations, or carried over from one context to another. In order to transcend the observed limitations, certain vital distinctions and clarifications must be made. First, we need a terminology capable of distinguishing between basic aspects of organizations and organizational action. There is a difference between ideas in general, discourses/knowledge regimes and techniques for organizing. As we will endeavour to show below, without such a distinction, it becomes impossible to understand what is diffused, how and why. Second, if rationalization amounts to something more than structural isomorphism, an account of the subjectifying effects must be included in the analysis. Our own approach will seek to combine the Foucauldian tradition with insights drawn from analytic philosophy, as mainly represented by the work of Nelson Goodman (1976, 1978).

It has already been mentioned that the process of institutionalization, or the formation of institutions, has never been conceptualized or analyzed from a constructivist point of view in the new institutionalism. It has been approached from various other angles, i.e. symbolic functionalism (Meyer and Rowan 1977/1991), systems theory (Zucker 1988), a pluralist power perspective (Jepperson 1991) and structuration theory (Barley and Tolbert 1997). These approaches, however skillful and innovative, cannot address the fundamental issue in all constructivist social analysis, i.e. how social reality in general and institutions in particular come into being due to various forms and practices of objectification. If the formation of institutions is to be rendered the object of analysis, we need a terminology capable of recapturing the forms and mechanisms by which original ideas, intentions or haphazard modes of action gradually become embedded in social contexts and accepted as standard ways of acting upon reality. We suggest an analytical distinction between ideals, discourses and techniques of control. Institutions are conceived as consisting of basic ideals that are developed into distinctive ways of defining and acting upon reality (i.e. discourses), supported by elaborate systems of measurement and documentation for controlling action outcomes. Even though such a distinction may convey the impression of a stepwise process, here, it is intended more as an analytical device for disentangling the composite totality that makes up the processes of institutionalization.

The three-fold distinction reveals important differences in the ways by which the content of ideals, discourses and techniques of control are expressed, articulated and become embedded in social contexts. Ideals differ from discourses, and both differ from techniques of control in the degree of detail and precision by which they describe the social items and relations to which they refer. At one extreme, ideals express themselves vaguely and in wholesale fashion, while at the other, control techniques specify rather precisely the relationships which they seek to regulate. For instance, the ideal of positive work control in formal organizations has initially involved narrative descriptions of the importance of realizing such a goal. The general orientation provided by the ideal was gradually developed into a discourse on human resource management that delineated, in consider-
able detail, relationships, social roles and rules of conduct. The units and categories of discourse were further embedded in formal organizations, through the development of various systems of classification and measurement (Townley 1994, 1995).

We thereby arrive at the second of the two broad questions posed above, namely the mechanisms occasioning the shift from ideals to discourses to techniques of control. Three major forms of framing and constituting social reality are proposed here: (a) intersubjectivity through speech and oral communication, (b) textualization by written language and (c) countability by formal codification (Goody 1977, 1986; Kallinikos 1996; Ong 1982; Searle 1995). It is well known that speech, written language and formal codification differ substantially in the ways they articulate and specify human intentions. As one moves from oral to written to codified language, a trade-off of semantic richness with precision is involved (Cassirer 1955; Goodman 1976, 1978). The relationship between, on the one hand, ideals, discourses and techniques of control, and, on the other, the three major forms of objectifying social reality can be summarized by the following figure:

<table>
<thead>
<tr>
<th>Forms of Objectification</th>
<th>Social States</th>
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<tbody>
<tr>
<td>Oral Language</td>
<td>Ideals</td>
</tr>
<tr>
<td>Written Language</td>
<td>Discourses</td>
</tr>
<tr>
<td>Formal Codification</td>
<td>Techniques of Control</td>
</tr>
</tbody>
</table>

Figure 1 should not be interpreted as implying a one-to-one correspondence between the identified social states and the three major forms of objectifying social reality. The direction of the arrow indicates only a tendency. Ideals are expressed in narrative form as basic notions of a composite character not yet differentiated into conceptual or practical schemes (Castoriadis 1987; Åkerström-Andersen and Kjaer 1996). Ideals are stable, pervading and valorized ideas that delineate social expectations. They thus help to provide a sense of orientation in the complexity of social relations. Basic meanings are constructed by distinctions and differences in circular movements between thinking, spoken and written language. At this stage, narrative knowledge provides the stability that makes it possible to communicate ideals in new contexts, e.g. the ideal of the importance of the human factor in work situations, before it achieved the formal status it currently enjoys in human resource management (Townley 1995; Tsoukas 1998).

When ideals are developed and specified into elaborate systems of
relationships and causal models, they are transformed into a discourse (Foucault 1980; Åkerström-Andersen and Kjaer 1996). Discourses achieve both a kind of closure in the significative content or meaning of ideals and the specification of the relations and items involved. A discourse is primarily constructed by means of written language. The stability of written formulations helps to transcend the context-bound character of oral interaction. It provides the means of constructing a system of knowledge from the dense supply of meanings underlying the narrative constitution of ideals (Goodman 1976; Kallinikos 1996). Discourses can, thus, be said to coincide with the elaboration of ideals to 'knowledge'; they single out a domain of application, define the relevant goals to be accomplished and the roles involved, spell out the criteria of truth and designate causal theories and schemes of action and interpretation. Written language makes it possible to elaborate ideals to systems of power/knowledge that act upon the world, bringing effects of various kinds (Searle 1995) as, for example, when juridical discourse causes wage labour to become a separate sphere of action and responsibility in society, thereby making it an object of detailed legislation, enabling formal contractual agreements between employers and employees.

Techniques of control are usually expressed in numerical (Cline-Cohen 1982; Rose 1991) or other forms of codification (e.g., accounting systems, systems of measurement or software packages). The construction of codified systems makes it possible to act upon the social subject–object relationships constituted by a discourse. Through codification, various facets of the principal-agent relation can become the target of calculation, reflection, comparison, manipulation which contribute to the social embeddedness of categories of the discourse. Control techniques are usually communicated by written or even oral language, but are not constructed by them, i.e., the whole ensemble of corporate and state practices for monitoring and evaluating categories of work demands recourse to numerical techniques. Even apparently soft facets of formal organizations, such as personnel management, conform to this description. Townley (1995: 564–565) states that techniques of personnel management

'have involved narrative presentations but these have been replaced by taxonomies, the standardization of which allows them to be used in a variety of locations and times ... knowledge skills and abilities are measured, or are represented numerically, in terms of their degree of importance and the prior experience required (Aho 1989). These pre-structured taxonomies of work are then scored and translated into numerical representations for the purpose of governance at a distance.'

Ideals, discourses and techniques of control are thus related to one another. Undoubtedly, a discourse represents the central institutional form that ties together ideals and systems of measurement and control, and yet, each of these basic social states may exist independently without being reduced to the others. Ideals may exist as valorized social significations in narrative descriptions, without being elaborated into discourses, e.g., the ideal of the benign, socially responsive organization, while identical techniques
of control such as accounting systems may serve several discourses, e.g.,
health care, the profit-seeking firm, etc. It is therefore important to stress
their independent mode of existence. It is also worth observing here that
ideals, discourses and techniques of control are not simply models of
reality; linguistic or cognitive constructions detached from the real world.
Discourses and techniques of control, in particular, are both cognitive and
social products. They are the outcome of the effort to bring about effects
in the world, which implies that the elaborate systems of conceptual items,
methods and relations as well as various practices, social roles and codifi-
ced rules of conduct are enacted with the purpose of creating a particular
world.

On the basis of these considerations, it could be claimed that the process
of institutionalization involves:
1. the semantic delimitation or closure of ideals accomplished by specific
   verbal and written strategies and definitions,
2. the specification of the tasks, items and social roles involved and the
delineation of their relationships,
3. the development of action models and systems of measurement and eval-
   uation.

These relationships are schematically represented in the following figure:

![Figure 2: The Process of Institutionalization](image)

A deeper appreciation of rationalization and institutionalization in organi-
zational settings must include a comprehensive analysis of discourse. It also
needs to involve the detailed exposition of the various techniques of con-
trol and the organizational practices associated with them. Such an analyti-
cal venture can disclose the cognitive means and procedures and the social
forms or relationships through which ideals are developed and stabilized
into the conventions that we call institutions. An example of the analytical
strategy we suggest can be provided by the institution of the labour contract. An appreciation of the effects the labour contract has had on the process of formal organizing cannot stop at the sheer recognition of the salience that this institution has assumed in modernity. We will use the labour contract — a major form of employment today — to briefly illustrate our claims below.

The labour contract construes human effort as exchangeable, measurable and payable and constructs a series of vital distinctions which are essential to formal organizing, such as those of employer–employee, superior–subordinate, work–leisure. It is vital to distinguish between the fundamental ideal as such, i.e. the constitution of work as a commodity (i.e. something that can be paid in exchange for the services it provides), and the way it has been refined and elaborated into discourses in various historical and national settings. The transformation of work to a contracted commodity was built upon the fundamental legal framework of Roman civil law. Enacted on a new arena of social life in early industrialism, the labour contract has developed from a spot-contracting relation to the modern complexity of law, practices and relations (Arendt 1958; Weber 1947, 1987).

The legal codification of the labour contract represents an institutional framework of social relationships in modernity, and the transformation of the ideal of work as a commodity into a corresponding discourse. By these means, the labour contract is separated from other realms of law, from other types of relations, e.g. citizen–polity, and becomes associated with certain types of expertise (Rose 1990; Townley 1994). However, the law, especially in this case, is no blueprint for action, apart from rendering certain actions and relations illegal or mandatory. It merely defines an area of social life and delineates important social roles and relationships. The situated relations are constructed by means of various techniques of control such as forms of wage-setting, recruitment practices and techniques for monitoring labour in the work process. The labour contract as an institution is logically impossible without the basic distinction between wage labour and other forms of instrumental action, but is transformed to a regime of knowledge and power by the elaboration of discourses and techniques of control. Without a detailed analysis of how this is brought about, assertions concerning the diffusion of the labour contract across populations of organizations and national borders tend to become a truism.

So far, we have mainly paid attention to the relationship between ideals, discourses and techniques of control as an essential aspect of the process of institutionalization. We will now turn to another aspect: the conditions needed to create institutions and the diffusion patterns associated with those conditions.
The Architecture of the Rationalizing Process

The analytical strategy we suggest can be taken a step further and applied to gaining an understanding of the diffusion patterns of rationalized ideas and packages. Despite the central position assumed by the notion of diffusion, neo-institutional studies are silent as to how the conceptual organization of instrumental packages are related to the forms by which they spread and become embedded across populations of organizations. In general, diffusion is explained with reference to the relationships between the organizations involved, and is assumed to take place mostly by imitation or the imposition of rationalized patterns and organizational recipes developed by dominant organizations (Meyer 1994; Scott 1995). The cognitive architecture of the diffused objects themselves, and the social effects associated with it are seldom seriously taken into account.

However, both commonsense logic and theoretical speculation suggest that the characteristics of the diffused objects cannot be divorced from the forms or patterns by which they are adopted by organizations. Random ideas, for instance, cannot exhibit the same diffusion pattern or be codified in the same way as a software package or an audit and control system, though the question might, ultimately, be considered as an empirical issue. Empirical research, though, is never without presupposition (Morgan 1983).

We would like to suggest, therefore, that on closer scrutiny, rationalized packages can be shown to differ with respect to:

1. how easily can they be reproduced,
2. how perishable or durable they are,
3. how immediately comprehensible and communicable they are.

Indeed, these relations are not unknown in current theory and research. Similar observations have already been made during investigations into the diffusion of innovations (Rogers 1983) and social studies of technology (e.g. Latour 1987).

The quality of reproducibility refers to the capacity to reproduce a rationalized pattern or package in quasi-identical form and enact the relationships it implicates. Reproducibility is largely dependent on the availability of explicit and well-defined rules and procedures underlying the construction of a particular package. In principle, the clearer and more well defined the rules and the procedural steps involved, the easier the identical reproduction of the package ought to be, i.e. an algorithm is more easily reproducible than a painting, because the latter normally lacks an explicit and standardized cognitive organization.

An analogous relation could be conjectured for an audit and control system and the making of ad hoc decisions in organizations. The clear, predefined status of the rules and procedures and the consequent ability to reproduce a rationalized package are ultimately connected with its cognitive architecture, i.e. the way it has been built up (Goodman 1976, 1978; Kallinikos 1993, 1996). In general, social objects that are constructed by means of standardized symbolic schemes which rely on combinations of primary elements that can be decomposed and composed anew according
to standard rules and procedures, such as the model of writing and numerical operations, are, in principle, replicable. In any case, they are easier to replicate than social objects which rely on cognitive systems that lack explicit organization and are produced by combinatory rules of standardized symbolic tokens, such as the picture-making model (Goodman 1976, 1978). In other words, the quality of reproducibility is positively related to formal codification.

The quality of durability refers to the capacity of a package to withstand the passage of time but also transference from one context to another without significant semantic alterations, or other distortions. The principal example of this case is the contrast between the perishable character of speech and oral interaction and the durability of written texts (Goody 1986; Ong 1982). The technology of writing solidifies the fleeting character of speech and confers durability to its cognitive artefacts, which can thus transcend the context-bound character of oral interaction and travel across time and space. Not surprisingly, therefore, the majority of the devices and techniques used in formal organizing, such as planning and budgeting systems, accounting and recording systems, policy documents, etc., are mediated through textual means and techniques (Cooper and Kallinikos 1996). However, the quality of durability does not simply coincide with the enduring character of written texts but, in addition, seems to be positively related to reproducibility. Clear specification of a package’s codes and operations enhances its capacity to withstand change associated with the transference of that package across contexts and its confrontation with relations other than those in which it was initially embedded. Formal codification creates barriers to alternative interpretations and also contributes to durability.

Finally, the quality of communicability refers to how easily a rationalized package can cross an organizational field, be understood and conveyed to others than those involved in its conception, construction and initial use. As a rule, communicability depends on whether a package is expressed in terms that reflect mundane or established significations and meanings, conveyed by oral language and the experiential knowledge of actors. Immediate comprehensibility of a package may thus be impeded by the complexity of formal codification and the abstract and decontextualized character of formal languages that usually remain distant and alien from oral communication and established modes of speaking and understanding. Empirical studies of the implementation of software packages document the difficulties associated with the embeddedness of abstract modes of organizing operations. They suggest that communicability and comprehensibility are major issues in contemporary organizations (Kallinikos 2000; Sotto 1990; Zuboff 1988). From this point of view, communicability seems to be inversely related to the qualities of reproducibility and durability. However, in principle, there is nothing to prohibit a package from being simultaneously communicable, replicable and durable. Communicability may not seem to be a crucial issue in the case of communication between experts sharing the same specialized knowledge, but rationalized patterns or packages seldom remain restricted within the walls
of specific professions or occupations. Their adoption usually demands the support of other organizational groups (Latour 1987; Miller and O'Leary 1994) and the consequences of their application often have ramifications throughout the organization, e.g. the implementation of accounting or financial systems, supply-chain management systems. Communicability thus remains an issue not only when lay understandings collide with codified and abstract languages, but also when codification deriving from a specific body of knowledge needs to be understood by specializations with different cognitive backgrounds. It should also be noted that communicability may be impeded by reasons other than abstraction and codification. Heavily contextualized practices and conventions may have difficulties in breaking the boundaries of the specific contexts to which they belong and diffusing through a population of organizations. This is, of course, another way of saying that institutionalization is always associated with minimal codification, or standardization, thereby contributing to the independence of administrative patterns from their original context and the adoption of these patterns in other organizational contexts.

Taken together, the three qualities highlighted above seem to shape the way in which rationalized patterns are established, and how they spread and become embedded across different instrumental contexts. Highly codified systems such as a computer application in an accounting or logistics system are, as a rule, replicable and durable, but they may lack immediate communicability due to the abstract and elaborate operations used in their construction. Highly codified systems tend to be semantically and procedurally closed. Their meaning is stable, because the selectivity and standardized character of formal codification tends to block alternative interpretations and carefully designates the steps to be followed. In contrast, management models with low or modest codification, such as Business Process Reengineering or Total Quality Management, are relatively easily communicable, though definitely more perishable and not easily reproducible, at least not in ways that remain loyal or similar to their initial form. These relationships perhaps help to explain the fact that models of this kind become fashionable, diffuse quickly across various organizational contexts, but also fade and change relatively rapidly. We can summarize these relationships in the following table:

<table>
<thead>
<tr>
<th>Qualities of Rationalized Packages</th>
<th>Forms of Objectification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reproducibility</td>
<td>Formal codification</td>
</tr>
<tr>
<td>Durability</td>
<td>Formal codification, Writing</td>
</tr>
<tr>
<td>Communicability</td>
<td>Oral and written language</td>
</tr>
</tbody>
</table>

The degree to which the closed semantic and procedural status of codified systems structures the choices and influences of actors in local contexts remains, of course, a highly contested issue in organization studies. We are
aware that complete closure is never possible in the social sphere. The construction of stable and predictable worlds is better seen as the horizon of formal organizing — a distant and pursued ideal that remains out of reach, although it helps to define a direction along which formal organizations develop (Kallinikos, 1996; Tsoukas 1996).

Rationalized Packages and Actorhood

The two previous sections have attempted to deal with the object side, as it were, of the process of institutionalization, i.e. the techniques and procedures by which facets of organizational life become objectified. We know from classical treatments of the issue that objectification is an important prerequisite for institutionalization (Berger and Luckman 1966). The cognitive infrastructure of ideas and modes of action in organizations (e.g. performance principles, systems of measurement), as captured in the abstract dimensions of reproducibility, durability and communicability, plays a vital role in two respects: first, it defines the degree to which intuitive or fortuitous modes of understanding and acting become embedded in particular organizations and accepted as standard practices and orientations. Second, it shapes considerably the capacity of accepted and standardized practices and orientations to cross the boundaries of particular contexts and diffuse in organizational populations. This holds true not only for important occupational profiles such as accounting, marketing, logistics, human resource management, etc., but also for vital organizational procedures or activities such as strategy and goal setting, forecasting, quality measurement, and so forth. It is the objectness of objects that has a decisive influence on the process of institutionalization.

However, and despite its significance, objectification does not exhaust institutionalization. Organizational action is not a static structure or a lifeless procedure. It is a rather complex, non-random and normally deliberate accomplishment carried out by social actors and the way these actors understand their organizational roles and carry out their duties is crucial to institutionalization. It needs to be analyzed systematically, if institutionalization is to be understood in an adequate fashion. It is our contention and critique that the new institutionalism has bypassed this issue, by and large. It is certainly part of our tradition to focus on the investigation of the object side of organizations; to proceed always from the subject to the object, from actors to the object of action. The dominant questions asked in the administrative sciences and mainstream social theory mainly focus on how actors construct and manipulate objects, and the difficulties or limitations associated with such a project (Kallinikos 1996). It is necessary, though, to move in the other direction too, and analyze how objects, despite them being passive and obedient, shape the way actors understand themselves and their roles. Indeed, it would seem upon a closer scrutiny that organizational actors constitute themselves by enacting precisely the methods and techniques through which they develop and manipulate the objects that define their
formal tasks. There is nothing strange in this. Distinctive forms of actorhood (e.g. a controller, a financial analyst, a personnel administrator) are inextricably bound up with the methods and techniques (accounting, financial techniques, human resource management) for framing action and measuring its outcomes (Miller and O’Leary 1987, 1994; Rose 1996; Townley 1994).

It is well known from historical treatments of the development of bureaucratic forms of organization that rationalization coincides with the description of organizational tasks and the specification of performance standards in impersonal, decontextualized terms (e.g. Weber 1947, 1987; Zuboff 1988). In this way, organizational duties can become decoupled from the totality that makes up a person (experiences, inclinations, capabilities, idiosyncasy) and transformed into a role that can be assumed by any competent member of a collectivity. This transition from the person to the role, from context-specific to general and abstract requirements of acting cannot be accomplished unless organizational duties and procedures are themselves described in context-free, abstract, though clear, ways. It is here, we contend, that the qualities of reproducibility, durability and communicability become of decisive importance.

The cognitive infrastructure of the object side of organizations tends to define not only what is to be done, but it also shapes considerably how this ‘what’ has to be done. The qualities of reproducibility, durability and communicability are involved in the process of institutionalization by shaping the steps and procedures which organizational actors normally follow when enacting their roles. By aiding the clear specification and codification of organizational tasks, the three above-mentioned qualities decompose the complex totality of an organization into a delimited and supervisable series of steps. In so doing, they participate, together with the content of particular duties (e.g. financial or human resource issues, quality measurement), in the construction of distinctive forms of actorhood. Modern or late-modern forms of organizing are essentially contingent on the capacity of actors to orchestrate their duties and monitor themselves and the tasks confronting them (Foucault 1980, 1988; Kallinikos 1996).

Our critique of neo-institutionalism thus becomes clearer and more justified against the background of this double process. Institutionalization marks the passage from intuitive and haphazard modes of understanding and acting to the construction of durable social artefacts. Rationalized patterns or packages of this sort specify the content and the means of organizational action and thus shape, indirectly but decisively, particular forms of actorhood. We would like once more to point out the extremely important role played by the socio-cognitive technologies of writing and formal codification in this process. It is evident that writing and codification objectify and contribute to the construction of rationalized patterns or packages which can then be carried from one context to another. Less obvious is that the analytical, decomposing character of written language and formal codification, as recaptured in the dimensions of reproducibility, durability and communicability, creates a visibility of organizational relations that is essen-
ential to the construction of predictable and self-managing forms of actorhood associated with contemporary organizations (Townley 1995). The appropriation, on the part of organizational actors, of the elaborate steps by which they enact and control their roles shows why idealistic approaches, which define institutions as mere rationalized beliefs or cognitive frameworks, fail to account adequately for the process of institutionalization. The interiorization of the cognitive technologies presupposed by formal organizing appears as a much more complex, ongoing and conscious accomplishment. The tangible character of writing and formal codification provides an alternative to the vague and quasi-mentalistic view of institutionalization as the spillover or diffusion of disembodied ideas. In the social sphere, ideas need vehicles that embody and communicate them. Even though neo-institutionalism is prone to acknowledge the significance of rationalized packages and routines as ‘carriers of institutionalization’ (Scott 1995), it usually fails to understand that objectification is only the visible side of institutionalization.

We could summarize our arguments by claiming that the degree of codification and the cognitive forms by which ideas, models and techniques of control are packaged relate to their capacity: (a) to become objectified and institutionalized in particular settings, (b) to diffuse from one context to another while retaining their basic characteristics, i.e. remaining quasi-identical or similar to their initial form, (c) to shape modern forms of actorhood — to subjectify.

At this point, however, we need to qualify our claims. We are aware that the qualities of communicability, reproducibility and durability of instrumental ideas and packages do not exhaust the factors that influence the institutionalization and diffusion of rationalized patterns. The codifying techniques of instrumental ideas and packages develop within the wider framework of the discourse. A discursive approach to institutionalization, as we pointed out in the discussion on ideals, discourses and techniques of control, must include how a domain of action is delimited and how truth claims about it become articulated. The decomposition of the cognitive structure of rationalized packages, models and techniques of control must be understood in relation to the discourse that constitutes them, but also in relation to the contexts they enter as options for reframing thinking and action (Miller and O’Leary 1994; Townley 1994). For instance, the transition from a marketing to a financial conception of control was associated with a major shift in the understanding of what a firm is and how it is to be managed (Fligstein 1990). Such an understanding is mediated by the wider conceptual categories of discourse and the social relations presupposed by a discourse, such as authorities of framing a domain of action, enunciating and developing truth claims about it and validating them, which cannot be captured by the qualities of communicability, reproducibility and durability alone. Nevertheless, true as this may be, the realization of major shifts in the framing and understanding of social objects is connected, in one way or another, with the qualities of reproducibility, durability and communicability. The transition to a financial conception of the firm, to refer
again to this case, is closely associated with the cognitive technology of financial management, and the reproducible and durable character of financial techniques of measuring and codifying the contingencies facing contemporary firms and organizations. In the same fashion, the relatively recent reformation of the public sector across Europe has been bound up with the instruments of management and financial accounting that helped define and realize the more encompassing vision of public organizations as competitive, revenue-earning entities.

The cognitive infrastructure of rationalized packages is therefore crucial in understanding the process of institutionalization. Nevertheless, what makes the shift of order (i.e. changes in the conception of control) possible is not adequately captured by reference to the codifying procedures alone. In order to analyze such broad processes of change, and indeed the formation of institutions, a historical and comparative perspective is needed to complement the preceding analysis. Change should be understood as taking place within an already existing order. For instance, the American shifts in conceptions of control are, to some extent, pathbound. The financial conception is articulated and carried out within the American context of industry and its established relations of corporate governance, which is but one among other distinguishable forms of governance in the modern world (Fligstein 1990). In a similar manner, the patterns of privatization and corporatization of the public sector in, for instance, the United Kingdom and Sweden differ in many important respects due to different patterns of boundaries between public and private sectors and established political ideals and discourses. In short, the analysis of institutional change also needs to address the relations between established practices, dominant ideals, discourses and techniques of control (Tsoukas 1996).

In order to reveal essential aspects of institutionalization, in the sense we propose, a historical study must pay attention to shifts in social ontology. This includes both the means that accomplish the stabilization of syntactical and semantic aspects as well as the construction of forms of actorhood associated with them. However, if we are to study how ideals and discourses come to produce real effects, in the Foucauldian sense, the interpenetration of codifying procedures with the regimes of knowledge and truth that engulf them needs to be taken into account. Foucault (1991: 79) says:

‘Rather than measuring (rationality and rationalization) against a value-of-reason, I would prefer to analyze it according to two axes: on the one hand, that of codification/prescription (how it forms an ensemble of rules, procedures, means to an end, etc.), and on the other, that of true or false formulation (how it determines a domain of objects about which it is possible to articulate true or false propositions).’ (the last two parentheses are in the original)
Concluding Remarks

This paper focuses on the patterns of rationalization and institutionalization associated with the processes of formal organizing. It develops a theoretical framework for analyzing institutions in the process of formation and the mechanisms underlying these processes. At the same time, it suggests possible ways for bypassing certain limitations that seem to underlie neo-institutional investigations in the field of organization studies. We have claimed throughout this paper that it is necessary to address several principal issues concerning how neo-institutional theoretical ideas have been formulated and restore a balance between the empirical demands of these ideas and the rather impoverished character of the empirical investigations conducted so far. It is necessary to proceed beyond being occupied, on the one hand, with disembodied cognitive frameworks and, on the other, with patterns of diffusion; the pattern that has dominated the neo-institutional scene so far. Our point of departure is the formation of rationalized patterns through writing and formal codification. This is the key to analyzing the institutionalization of rationalized patterns and accounting for their objectifying, but also subjectifying effects. The conceptualization of how spheres of organizational action are institutionalized must include how different forms of objectification make ideals, discourses and techniques of control possible, and how these three control mechanisms can develop into institutions.

Our analysis draws on many sources, but its direction is inspired by the work of Foucault. Though widely used, and perhaps abused, in various academic contexts, the tradition once initiated by the work of Foucault is capable of providing an account of the very processes and operations that constitute and change the ‘knowledge regimes’ of the contemporary social world — i.e. the construction of objects and subjects, classifications, causal reasoning, criteria of truth and positions of authority. Discourses and techniques of control are truly decentred constructions that define and materialize social ideals and construct the rationalized matrices associated with formal organizations. Neither discourses nor techniques of control belong to anyone; nor are they environments of organizations in the conventional sense. The approach we have presented avoids placing actors, organizations and organizational relationships per se at the centre of attention. Instead, it attempts to gain an understanding of what makes actors, patterns of action and formal organizing possible in the first place. To employ Meyer’s own terminology, rationalized models, scripts and ideologies can be analyzed with respect to how they constitute actors and action in organizations.

Notes

* We are indebted to the faculty members at the Department of Business Studies of the University of Umeå, Sweden, where the original version of this article was presented.
1. It is not our task to defend structuration theory. However, we would like to observe that the analysis undertaken by Barley and Tolbert (1997) does not have much in common with Giddens’ basic ideas (1984). Their notion of scripts is, as we see it, nothing more than a
shorthand for categorizing behavioural regularities in an empirical context. It is closely related to the analysis of role-sets and interaction orders (Barley 1986). The connection to institutional analysis is very vague and adds up to comparative case analysis, with hardly no guidance as to what kind of cross-case observations should be searched for.

2. We are indebted to one of the two reviewers for raising our awareness on this issue.

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