

## Bridging Structure and Agency: *Processes of Institutional Change*

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# **Bridging Structure and Agency: *Processes of Institutional Change***

Wilfred Dolfsma<sup>1</sup> & Rudi Verburg<sup>2</sup>

## **Abstract:**

The tension between (social) order and change, or, alternatively formulated, between structure and agency, has a long history in the social sciences (e.g. Verburg 1991). The discussion has substantial philosophical overtones. In this article we recount the history of the discussion. We both acknowledge the more recent admonition that the agent may have been given short shrift in previous eras (Davis 2003), but at the same time argue that one should not negate the reality of social structure or institutions (Hodgson 1999, 2004). In this article we argue, however, that these recent contributions, from the fields of economics, sociology, political science and management, do not provide a much needed account of how the tension between structure and agency may be resolved conceptually. Accounts seem to emphasize either structure or agency, and fail to capture their interrelationships. We submit that that the *process* of institutionalization does resolve the tension conceptually, focusing on the role of the agent in reproducing institutional setting, but also in instigating institutional change. We provide a theoretical account of the conditions under which institutions change, and the likely direction of such change. In doing so we emphasize the relation between socio-cultural values subscribed to in a society or community and institutional settings and practices (Dolfsma 2004). As institutions should be conceptualized to have both structural as well as 'cultural' aspects (Neale 1987), in many but not all cases irrevocably related, agents can re-interpret or re-define a given institutional structure in the light of a differing perspective, giving rise to tensions felt and possibly setting in motion a process of institutional change.

## **Keywords:**

Structure, Agency, Institutions, Institutional change, Process, Tensions

## **1. Introduction**

The social sciences are divided, both between sub disciplines as well as within them, between adherents of the view that structures or institutions 'determine' individual behavior on the one hand, and those who argue that social structures or institutions are the unplanned outcome of the interplay of individual behavior. This structure – agency controversy continues and is a fundamental topic of debate in the social sciences, especially because a compromise does not seem possible. An attempt to develop a conceptual framework in which neither priority is given to agency or to structure seems to be a bridge too far. As a consequence, the literature is littered with partial explanations of how behavior of individuals shape institutions as well as that individual behavior is shaped by institutions. However frustrating this agency-structure issue often seems to be, we believe that a beginning of a solution is to be found in these different

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contributions, if only at a metatheoretical level, emphasizing the dynamic, process-driven character of how agency and structures interact.

This paper is built in two parts. The first part traces the historical roots of the issue of structure and agency in the problem of order (section 2) and relates how dissatisfaction with contrasting models of social order induced attempts at bridging divergent perspectives (section 3). The argument that from such past efforts a new perspective may be (re)constructed is developed in a fourth section. In section five we explore this process-driven framework conceptually. The three kinds of tensions that we hypothesize will trigger a process of change of existing institutions are discussed in section six. A concluding section ensues.

## **2. Social Order and Social Change: an intellectual history**

The tension between (social) order and change, or, alternatively formulated, between structure and agency, has a long history in the social sciences. Time and again periods of change, uncertainty and conflict have induced questions on order and cohesion, the so-called problem of order. The problem of order poses the question: how is social order possible? Why are conflict and chaos not the rule? This question suggested itself in the seventeenth century when the existing order lost its self-evidence as traditional conceptions of order as resulting from natural forces or as being God-given increasingly became less convincing (Hirschman, 1977).

The problem of order received its classic expression from the English philosopher Thomas Hobbes (1588-1679). Deeply concerned with the religious and civil wars which afflicted the society of his day, Hobbes attempted to provide a system of thought which spelled out the indisputable rules of civil society through which the appetites and aversions of men were directed towards order and peace. Taking as his points of departure man's egoistic inclinations in the fearsome pursuit of his insatiable desires and the idea that those desires increasingly converge (scarcity) in the struggle for eminence, Hobbes concluded that conflicts of interest would naturally arise in the competition for scarce means to gratify men's desires. Life in such a state of nature, as a consequence, would be "solitary, poore, nasty, brutish and short" (Hobbes, 1985:186). The ubiquitous threat and fear could only be overcome, enabling peaceful coexistence, Hobbes posited, if men enter into an agreement to transfer their rights and power to a sovereign or Leviathan who ensures "That men performe their Convenants made" (1985:201) to curtail the pursuit of self-interest. With the image of society as a social contract or covenant, Hobbes tried to show his contemporaries the rationality and utility of such a covenant in terms of peace and material progress and to warn of the disastrous consequences of a 'breach of

contract'. Hobbes's solution to the problem of order hinges upon the assumption of man's selfish inclinations that needs to be curbed by the sovereign's exercise of power.

The Enlightenment inspired a new problem definition of the problem of order as man's sociability was emphasized, inviting a reevaluation of self-interest. Why would individual interests necessarily conflict? People's needs and interests may coincide, and one stands to gain from cooperation. Especially Scottish moral philosophers turned such newly gained insights into an alternative solution to the problem of order; a solution featuring the regulating effect of the market on individuals' behavior. Hobbes's view of society as an artificial construction by way of a covenant is replaced by an interpretation of society as a network of relationships of exchange between mutually dependent individuals. Efforts to maintain mutual profitable relations of exchange give rise to rules, which increasingly attain the status of generalized rules of morality and justice, embodied in the institutional structure of society. In an ongoing process of adjustment of behavior, interests and moral rules within impersonal relations of mutual dependence, individual interests unintentionally are harmonized with the general interest and order is tentatively and unintentionally brought about. Suggesting that order in a market society has a natural and spontaneous rather than an artificial and enforced character, Adam Smith (1981;1982) made a plea for the benign 'invisible hand' of market forces as against the coercive, visible hand of the lawgiver.

Taking an organic perspective on society, Auguste Comte (1798-1857), founding-father of sociology, did not expect much from a coerced or spontaneous concurrence of individual sentiments and interests: "No concurrence of interests, or even sympathy in sentiments, can give durability to the smallest society if there be not intellectual unanimity enough to obviate or correct such discordance as must inevitably arise" (Comte, in Lenzer, 1975:288). Without unity of thought and a consensus about values and norms in society deriving from such unity, order is a precarious thing. The chaotic times of post-revolutionary France inspired Comte to call for a reconstruction of society to allow such cognitive unity to take shape. He proposed a systematic, positivistic method of acquiring the knowledge required, to be synthesized in a new science: sociology. Adopting such a method, the invariable laws which govern order and progress would yield their secrets. Science would enable man to gain insight into the development of order as a necessary process. Comte conceived society as a organic whole in which the parts are given their appropriate meaning and contents within functional relationships which exists among them (order) and which evolves within a natural process of growth (progress). Even though society is the result of the associations of individuals, it represents a specific reality which has its own characteristics and laws. Society is not a construction of individuals but

rather the individual is a construction of society. Thus the necessary consensus and cohesion to achieve order and progress could be affected as soon as man's knowledge, sentiments and interests are suited to the requirements of society.

Similar views were advanced by Durkheim (and later by Parsons), claiming that in industrial societies the necessity of a coherence of specialized functions to the conservation of society produces a consensus, which states the conditions of conservation in terms of values and norms, and which induces individuals to attune their interests to the common interest.

As these approaches of order took shape, it became clear that such differences in the relative importance of the constituent elements of order, viz. power, interest and values, were not their only distinguishing features. Another such feature concerns the question of the nature of reality. On the one hand it is argued that social phenomena are to be understood as the result of individual actions oriented towards the (expected) actions of others. This agency point of view is handsomely captured by Elster, when he claimed that "there are no societies, only individuals who interact with each other" (1989:248). Adherents of the structural approach, on the other hand, emphasize that society is a reality *sui generis*. Individual behavior, interdependent and interwoven with behavior of others, unintentionally gives rise to structured regularities in processes, relatively autonomous with regard to the intentions and preferences of individuals. As Durkheim expressed this point of view: "La première règle et la plus fondamentale est de considérer les faits sociaux comme des choses" (Durkheim, *Les Règles* (1895), 1947:15).

The structure – agency issue, which has developed from the problem of order, concerns the tension between these competing views on social reality. Closely linked to this issue, however, albeit not necessarily the same, is the question of how to study social phenomena. Two contrasting methodological views may be distinguished. Methodological individualism assumes that any explanation of social facts is to be rooted at the level of the individual, i.e. an explanation is to be build from the (given) preferences, expectations and motives or behavior of rationally acting individuals. Adherents of methodological collectivism object that social phenomena cannot be reduced to the properties of the individual parts but ought to be studied within the social system in which they occur.

In the course of time, these contrasting views on the constituent element of order as well as on the relation between agency and structure have been elaborated and formalized within several theoretical perspectives. Inspired by Durkheim, the dominant paradigm in sociology until the 1960s was structural functionalism (Parsons; 1951, 1968). In this methodological collectivistic approach, society is taken as an organic whole

of interdependent, functional parts, each contributing to the maintenance and integration of society. Stability and cohesion, based on a consensus on values and norms, in which individuals are socialized through institutional arrangements, are taken as characteristic of the normal condition of the social system. Reasoning from the perspective of the social system, Parsons (1951, 1951) thus argued that human actions are embedded in an institutional system and therefore follow patterns in accordance with norms, directed at the preservation of that order. Social order may be said to be secured to the extent that those actions are institutionalized, that is, sanctioned by the social system and internalized by individuals. This institutionalized system of norms is an expression of the consensus about what is just, good and desirable (values). Ultimately in Parsons' conception, it is the common value-system, the normative structure of society that makes social order possible.

The consensus model has been criticized for assuming a common framework of shared values and norms and its 'oversocialized concept of man', in the words of Wrong. Such an approach ignores the fact that society gives evidence of instability, disintegration, dysfunctionality and conflict. Following Marx and Weber, Dahrendorf proposed a conflict- or coercion model of society as a complement to the consensus model. In this model, order is seen as a precarious equilibrium of relations of power between status groups: "it is not voluntary cooperation or general consensus but enforced constraint that makes social organizations cohere" (1959: 165). Searle (1994) talks about 'institutional facts' in this regard.

Next to these macrosociological approaches, an individualistic tradition can be distinguished in sociology. In this tradition the exchange or coalition model holds central stage, in which social phenomena are traced to individual behavior and strategies. Society is seen as a network of exchange relations between individuals, bent upon their rational self-interest, displaying a certain regularity and stability resulting from recurrent interactions. "Institutions do not keep going just because they are enshrined in norms, (..) They keep going because they have pay-offs, ultimately pay-offs for individuals" (Homans, 1961:366).

In summary, the following differences in views on order can be discerned:

**Table 1: Models of Social Order**

	Model of social order	Order generating institution	Primary bond of social order	Source of rules
Hobbes	conflict	state	political	power
Smith	cooperation	market	socio-economic	interests
Comte / Durkheim	consensus	Society / community	cognitive	Values / norms

### 3. Between agency and structure: some current thinking

Each of the models we distinguished in the previous section pursues a different perspective on how agents come to act in a coordinated way. However appealing these models are, the fact remains that each model presents an one-sided image of society by emphasizing only one of the constituent elements of order. As Cohen remarked: “All social order rests on a *combination* of coercion, interest and values” (1968:32; italics added). Basically we are still facing the question how structure and agency *interact*. In the recent past several authors, working within different scientific disciplines, have contributed to the debate on how to conceptualize such concerted play of structure and agency. In this section we will pass in revue some of these contributions in order to take measure of the debate.

In *The Moral Dimension: Towards a New Economics* (1988), Etzioni contrasts the rationalistic-individualistic, neo-classical paradigm with the social-conservative view, which argues the need for a strong authority to control the often irrational impulses of men to maintain order. “Out of the dialogue between these two paradigms, a third position arises ... It sees individuals as able to act rationally and on their own, advancing their self or ‘I’, but their ability to do so is deeply affected by how well they are anchored within a sound community ... a community they perceive as theirs, as a ‘We’ rather than an imposed restraining ‘they’” (1988: ix-x). Such a third position, Etzioni argues, implies the need to revise the core-assumptions of neo-classical economics: next to self-interest as the motivational spring of human action, it should be acknowledged that individuals seek to abide by the moral commitments that are shaped within the community to which they belong. Thus he attempts to develop a broader paradigm, which on the one hand encompasses the neo-classical paradigm and on the other recognizes



morality on an equal plane as utility as a source of valuation and motivation in economic behaviour. At the core of this so-called I & We paradigm is “the assumption of creative tension and perpetual search for balance between two primary forces - those of individuals and those of the community, of which they are members” (1988: 8).

According to Etzioni, man is first and foremost a social being whose wants and choices are influenced by values, emotions and habits that are formed within the community rather than by conscious, rational deliberation, inspired by self-interest. Given the assumption of the pivotal role of social collectivities, in which interactions are enveloped by moral commitments as well as influenced by the relative power of the different economic and political agents, he contends that to a large extent decision-making and deliberation may be explained with reference to the collectively set contexts (institutions and organizations) within which individuals operate. In this sense the market is neither free-standing nor self-perpetuating, but encompassed within ‘the societal capsule’. Within this capsule, the rules of the game are formed and changed (institutionalization) to mitigate the tension between interest and moral commitment, or in more general terms, between market and community.

If Etzioni may be said to arrive at a notion of institutionalization, like Durkheim, from the point of view of collectivities, Granovetter builds his argument, as did Weber, from the agency point of view, emphasizing that (economic) action should be analysed as being submerged in ongoing social relations. Granovetter objects to the view that rational, self-interested behavior is only marginally affected by social relations. “Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them ... Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations” (1985:487). Pursuing a middle position, Granovetter develops his embeddedness argument: economic action influences and is affected by (structures of) social relations. He argues that economic action and the way it is structured should be seen in the context of developing social relations or institutionalization. He emphasizes that on the one hand the extent and nature of social relations between agents may explain the specific forms of institutional arrangements between markets and hierarchies that arise. These relations are often of a personal nature, for which reason Granovetter speaks of personal embeddedness. On the other hand, once such arrangements exert a structuring influence on economic action and the interpretation that are attached to them (structural embeddedness), they are bound to affect social relations.

According to Granovetter, institutionalization is both a matter of social construction by individuals in face to face interactions as well as a process in which behavior increasingly becomes embedded and structured within larger networks to which actors belong. “Institutions that arise and stabilize begin as

accretions of activity patterns around personal networks. Their structure reflects that of the networks, and even when those networks are no longer in place, the institutions take on a life of their own that limits the forms future institutional development can take” (1990: 105).

Criticizing theories which either take the individual/agent or society/structure as its point of departure, Giddens developed his theory of structuration to overcome the shortcomings of both these polar views. “The basic domain of the study of the social sciences, according to the theory of structuration, is neither the experience of the individual actor, nor the existence of any form of social totality, but social practices ordered across time and space” (Giddens, 1984:2). Central to structuration theory is the concept of ‘duality of structure’ or the notion that agency and structure are to be considered as inextricably interwoven. “The constitution of agents and structures are not two independently given sets of phenomena, a dualism, but represent a duality ... the structural properties of social systems are both medium and outcome of the practices they recursively organize,” (1984: 25, 26). Structure, rules, resources and roles only exists in the day to day routines of people (Jackson, 2005), while interaction between agents is framed by the rules and resources that make up structures. According to Giddens, it are recurrent social practices where individual and society meet and in which both are constituted.

**Proposition 1: Individuals, being social animals off necessity, cannot escape institutions.**

Even when one acknowledges that individuals cannot escape institutions, it is possible to (1) make choices within any given institutional setting, as well as (2) shape institutions in one’s environment. The former we interpret as the range for choices open to individuals within a given institutional setting, and would thus indicate the extent to which the ‘script’ of such a setting is closed or open (compare Akrich 1992, Gioia & Poole 1984). The latter is particularly of import from a theoretical perspective, and is addressed to some degree by the literature on ‘institutional entrepreneurship’ (DiMaggio 1991). The latter is particularly acute when one no longer assumes that institutions unequivocally prescribe appropriate behavior. If one, as we do, assumes that institutional settings can always be understood in different ways, differing perceptions between any two people can exist that may impact institutional change.

**Proposition 2 Institutions never have a *script* so closed that an agent needs no interpretation to act upon them – all institutions allow for multiple interpretations.**

Yet another contribution is to be found in Wrong's 'The Problem of Order: what unites and what divides society?' (1994). In his book Wrong emphasizes the dual nature of expectations. From their need for social approval and/or order and the absence of conflict individuals develop expectations about one another's behavior, which become 'self-fulfilling prophecies'. Thus social interactions assume a repetitive and predictable character. The fact that individuals mutually are conscious of one another's expectations gives such expectations a normative character at the same time, which translates itself in norms and institutions. From Wrong's perspective, "[s]ociety is both the web that is spun and the expectations out of which it is spun" (1994:45). Groups, institutions and societies are to be seen as concentrations of repetitive interactions between individuals, creating both regularities and norms.

Archer has claimed that "the problem of structure and agency has rightly come to be seen as the basic issue in modern social theory" (1988: xi). Even if in current times different views on the issue remain visible (Touraine 1977, Bourdieu 1977, 1984, Habermas 1984, 1987, Burns 1986, Archer 1988, Wrong 1994): many of the arguments made are recognizable from earlier discussions, though the terms used may have changed. These persistent differences concern, for instance, the nature of the agent (individual actor or collectivities and organizations), the meaning of structure, and the theoretical perspectives used to address the agency-structure linkage (Ritzer, 1992: 588-9). We argue that these classical authors help in diagnosing the gap between approaches that emphasize the structure or the agency side of the discussion. Structure and agency, or collectivism and individualism, have often been taken to be categorical opposites. The opposition is by no means universally accepted and certainly not in the history of the concept (Lukes 1971), which is supported by recent empirical research (e.g., Allik & Realo 2004).

#### **4. Relating Structure & Agency: the process of institutional change**

These various contributions are important to our understanding of social phenomena in emphasizing that a focus on (the process of) institutionalisation may avoid a polarity between structure and agency. Looking beyond the details of the divergent solutions, we suggest, there is almost unanimity on the direction in which a solution is to be sought. At a metatheoretical level these various contributions tend to emphasize that structures and agency are conceptually linked in the *process* by which institutionalization takes place. Such an emphasis allows for a third point of view, the process itself, distinct from both the perspective of the agents as well as of structure. It is a view that is very much reminiscent of Adam Smith's impartial spectator.

“Before we make any proper comparison of those opposite interests [our own and the spectator’s], we must change our position. We must view them, neither from our own place nor yet from his, neither with our own eyes nor yet with his, but from the place and with the eyes of a third person, who has no particular connection with either, and who judges with impartiality between us” (Smith, TMS, III.3.3).

Some of the basic materials from which such a third perspective can be built are to be found in the work of Durkheim and Weber. Developing a structural (collectivistic) approach, Durkheim asserted that from the perspective of the individual, society represents an independent objective reality (*choses* or ‘thing’) which conditions and controls behavior (cf. Beckert 2002). Even though social facts are produced by individuals, sociology focuses on the objective form that social facts assume in society: institutions or collective ways of acting and thinking. In contrast, Weber (1964) adopted an agency or individualistic perspective, arguing that “social reality consists of subjectively experienced meaning rather than objectively existing systems and structures” (Zijderveld, 1970:41). In Weber’s view, sociology is about meaningful action and hence individual action as only individuals can give meaning to action. Rather than objective social facts, institutions are to be seen as social frameworks conveying chances for meaningful behavior.

Instead of stressing institutions or individual agents – a focus on institutionalization may circumvent the analytical reduction of the one to the other, allowing a more realistic view of reality. Durkheim views sociology as the theory of social institutions, claiming that an objective description of reality can be given, while Weber views sociology as the theory of social action, providing a subjective description of reality. The two views complement one another. Institutionalization can be seen as the process of objectification of subjectively interpreted actions of actors into stable, more or less normative, patterns of behavior. Both perspectives on social reality are linked, as it were (Zijderveld, 1974: 30). If the process of institutionalization may be represented as a continuum between (subjectively interpreted actions of) actors and (congealed patterns of action or) institutions, Weber and Durkheim may be said to have *reasoned from* opposite sides of the continuum – their thinking cannot be classified as representative of the extremes. Weber emphasized that in the process of institutionalization the subjective meaning that individuals attach to action becomes objectified and behavioral norms and sanctions emerge through which action may be rationalized and legitimized. Durkheim, on the other hand, stressed the consequences for social action of congealed, habitual behavioral patterns or institutions. As an objective reality, on which the individual has no influence, institutions exercise a regulating influence on human action.

**Figure 1: The agency – institutions continuum**

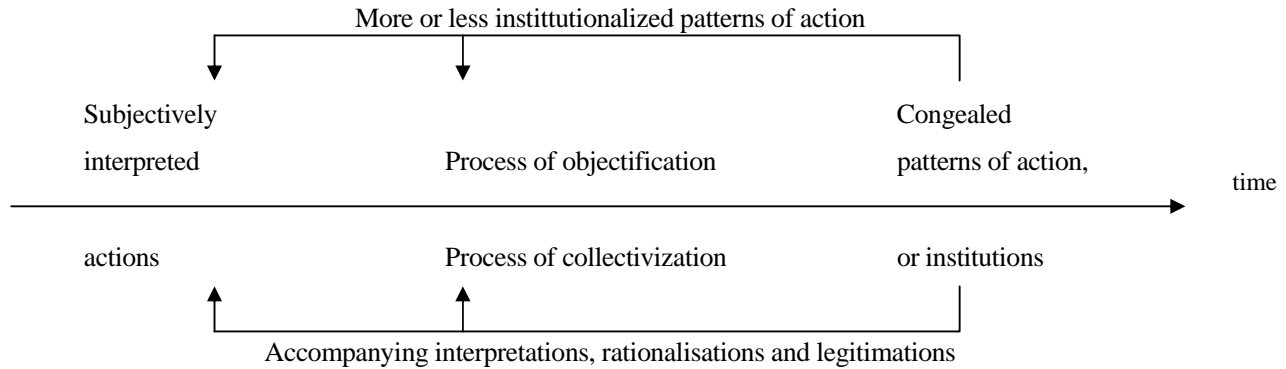


Figure 1 indicates how patterns of action become ‘objectificated’, solidified, congealed, or institutionalized as situations at concrete moments, but that at the same time, individuals will have an understanding or ‘definition’ of the situation in mind that will actually bring her to concrete action in a particular situation. According to Thomas (1951) behavior is determined not only by the situation that may be described in objective terms, but also by the definition of the situation or the subjective interpretation of that situation by the individual. Institutions are frameworks of routinized patterns of behavior and interpretation, influencing/pre-determining the situation as well as to some extent the definition that individuals have in mind. Without a shared definition of the situation, no (complex patterns of) interaction is possible (Boulding 1956). As Kenneth Boulding argues, talking about ‘image’ as ‘what I hold to be true’ in a factual and a moral interpretation of the term true (“fact and value” (Boulding 1956, p.11):

“It is this image that largely governs my behavior” (Boulding, 1956, p.16)

“Part of our image of the world is the believe that this image is shared by other people like ourselves who are also part of our image of the world” (ibib., p.14)

At the same time the individual, in reacting to the situation and its definition, influences these institutional frames. According to Thomas’ theorem, named after the American sociologist: “If men define situations as real, they are real in their consequences” (Thomas, 1932:572). The first part of the theorem, including the element of chance it brings out, refers to Weber’s notion of (subjective or inter-subjective) meaning, while the second part with Durkheim emphasizes the objectified results of institutionalization. The *process* of institutionalization and institutional change, thus, emphasizes interaction between actions and institutions, and includes a structural as well as a cultural dimension.

## 5. The process of institutional change

We submit that an understanding of the process of institutional change may arise from an explanation of what triggers processes of institutional change, relating structure and agency. Institutions are routinized patterns of behavior to solve collective and recurrent social problems that have normative overtones. This tentative definition of institution (for an elaboration see appendix A) implies: (1) that institutional patterns are likely to change if the nature or extent of social problems change (e.g. due to demographic or technological changes), and (2) that institutions imply reference to values, given that they require legitimacy of some kind, to some extent (Scot 1994). After all, a pattern is ‘imposed’ upon the individual as behavior that is expected of him. The expectations must have legitimacy in the eye of a community, and individuals themselves need to be able to explain or justify their own behavior as well. Besides asking the question of *how* people behave in the way that they behave, we need to address the question of *why* they do so (Ullmann-Margalit 1978). Being reflexive, people’s perception of their own behavior is implicated in how they behave.<sup>3</sup>

### **Proposition 3: Institutions need to be seen as legitimate by agents to act on them.**

The *why*-issue is an essential element of any theory of institutional change, and thus we submit the Social Value Nexus (Figure 3) as a way to understand processes of institutional change. Institutions emerge or are set up with reference to socio-cultural values which give them their legitimacy and ensure that they are adhered to by individuals. As Rokeya (1979, p.50) observed “[socio-cultural] values are socially shared cognitive representations of institutional goals and demands”. Socially shared conceptions of ‘the desirable’ are learned by individuals who are subject to the external and internal ‘forces’ of socialization on the one hand, and imitation, or the urge to belong to a particular group of people on the other (Rokeya 1979, p.48).

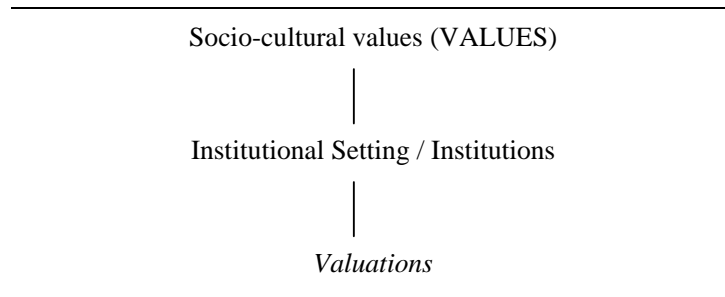
In everyday life people recognize that socio-cultural values play a critical role, in economic processes as well as in society at large. When people want to make sense of what happens in their surroundings, or want to understand why others do certain things, or even to make decisions themselves about what they should do, they invoke what might be called (socio-cultural) ‘values’ (Hofstede 1980, Inglehart 1990, and Kluckhohn 1962). The economic theorist Frank Knight (1982) readily acknowledged the importance of what he has called ‘value deliberation’ in understanding

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<sup>3</sup> Cf. Carrithers (1990), Dunbar (1998), Givón (2005). The human brain seems particularly attuned to complex social behaviour, especially using language to understand and express higher-order intentions.

human behavior. Arguments for an alternative arrangement convince people only if what is seen as the proper socio-cultural values are alluded to, even if the alternative directly hurts a particular individual's or organization's interests. A practice constituted of institutions that does not appear to relate socio-cultural values will be perceived as empty and may soon be abandoned.

**Figure 3: The Social Value Nexus redux**



Source: Dolfsma (2004)

There is considerable confusion concerning the term 'value.' Value is a central notion in ethics; economists equate it with 'price,' and some other scientists think of normative science when the word 'value' is used. A distinction between socio-cultural values (or VALUES) on the one hand, and *valuations*, on the other, seems necessary given the widespread confusion. For us, Socio-cultural values denote strong underlying convictions many people in a group or in society hold, consciously as well as unconsciously, most of which would be considered of an ethical, cultural, or philosophical nature. These include matters of justice, beauty, love, freedom of will, autonomy, rightful ways of government and governance, social standing and behavior, and personal identity. The socio-cultural values that 'live' in a society or community, and are expressed in its institutional settings, may change over time (Inglehart 1990), but are likely to be persistent (Hofstede 1980, Campbell 1987). The socio-cultural values as shared in a community point to the kind of things that one can (is socially allowed to) aspire to; they point to the kind of things that are preferably pursued and the direction in which society in general moves (Kluckhohn 1951). In Appendix A we elaborate on the definition of institutions, and discuss how institutions are irrevocably interrelated.

The distinction between socio-cultural values on the one hand and *valuations* on the other is rooted in institutional (economic) theory and (economic) sociology. Durkheim, Weber, and Parsons, for instance, argued that norms, ideals and ultimate ends should be considered if a social scientist is to understand society and the economy (cf. Beckert 2002, Davis 2003, Bush 1987, Neale 1987). The

cultural theorist Wildavsky (1987) showed how people's voting behavior, their preferences for politicians or political points of view, depend on the institutional setting, reflecting underlying socio-cultural values. Figure 3 graphically presents the argument in this section that valuation, aspirations, and behavior need to be understood as institutionalized expressions of underlying socio-cultural values.

We have departed, conceptually, from an emphasis on values and norms as it is much neglected in the recent history of ideas. Such a starting point emphasizes the need for institutions to be shared in a group; it stresses, drawing on Durkheim, the need for some consensus to exist. An additional feature of this starting point is that it suggests the conceptual distinction within the idea of structure between Institutions (norms) and Values, which, as we develop below, is one way for agency to exert itself. Nevertheless, as became apparent from our discussion of the models of social order, it is one-sided, in need of the assistance of the other perspectives. Does the perspective from which we depart allow for a conceptual link with the other two views presented in Table 1? According to Dahl (1957, p.202-3) "A has power over B to the extent that he can get B to do something that B would not otherwise do". It is crucial to understand, however, that power can only be exerted to the extent and in the manner that is perceived as legitimate within the institutional setting at hand (Dahl 1957). The means, domain, amount and scope of power depend on the institutional context: that context may allow for brute use of overwhelming power, but it may also have to rely on persuasion. Persuasion, getting B to do something he would *initially* not do, may be conceived as power as well (Lukes 1979). The instances where communication between different agents is governed by Habermasian *Sprachethik* may be few (cf. Habermas 1984, 1987). Power, however subtly used, will need to be legitimated, at least when initially instituted, nonetheless.

Interests that people act upon, similarly, do not exist in a social and institutional vacuum. Rather, institutions determine the setting in which agents establish what behavior is, rationally, in their best interest, and whether or not this is the kind of behavior that they wish to undertake (Wildavsky 1987). Rationality is (geographically and historically, thus institutionally) situated rather than essentialist, reflecting or emanating from a Platonic or Archimedean ideal (Gibson 1977). Even when assuming that an agent's preferences or wishes are fixed, one would assume that they have developed in specific circumstances (Grafstein 1990; see also Geertz 1973).<sup>4</sup>

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<sup>4</sup> Cf. Hirschman (1977) who tracks the changes in the meaning and significance of the concept of '(self) interest' itself, as well as the contexts in which it was used.



Such a combined perspective – featuring values, power and interests – is important because it allows us to understand how normative patterns of behavior develop into organizational structures. The concrete institutions or institutional setting that develops depends upon the balance of power and interests and the nature and strength of underlying socio-cultural values. Note that a distinction is introduced between *practice* on the one hand, and *institutions/institutional setting* on the other hand. Practice refers to a generally recognized area a community or society deems some sort of order should be created for. Concrete institutions or a particular institutional setting would then be providing that order. Instantiations at particular moments in time of institutions shaping people’s valuations, and aspirations create the ‘situations’ as defined by individuals. Agency may show in (1) opting for an institutional setting, in (2) interpreting and seeking the acceptable boundaries for behavior within an existing institutional setting, in (3) erecting a alternative institutional setting for a given practice.

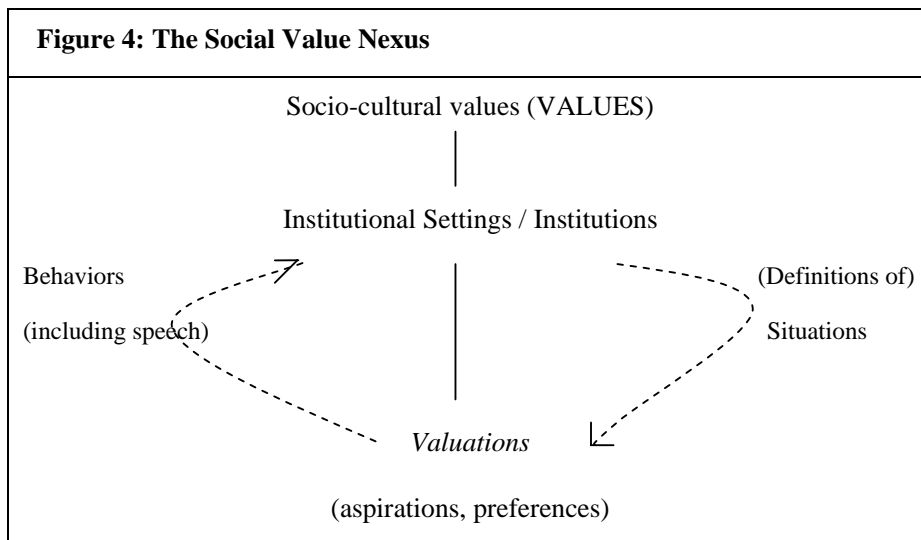
**Proposition 4: Most pertinently, however, agency may show in (4) changing an existing institutional setting.**

Next to socio-cultural values we also distinguished valuations. *Valuations* are the terms of trade / exchange established in society for specific goods or services. As a *valuation* is acted upon and agents *behave*, in a *situation* as perceived and *defined* by the agent, it might be expressed as a price but need not (Bush 2007; Zelizer 1985, 1979, 1997; Tool 1991). The way in which *valuations* are expressed differs between different institutional settings where different socio-cultural values are expressed. Valuations, including people’s aspirations and preferences, takes place in situations that are instantiations of what institutional settings ‘prescribe’. It is in relation to the particular institutions that agents behave. This distinction between socio-cultural values and *valuations* is possibly not exhaustive. This discussion suggests additions to the model (see figure 4).

Many scholars have contributed from various perspectives and disciplines on the theory of institutional change. Literature in institutional theory is now proliferating. It would appear, however, that up to date, the antecedents of and goals for, rather than the process of institutional change have been emphasized. We surmise that analyzing processes of institutional change necessitates an understanding of individuals as agents who interpret and perceive their situation, consisting of institutions, forming valuations (aspirations, preferences) that they act on. Agents can challenge the institutional setting they face by opting out. Less radical options for agents are to construct a rival institutional setting for the same purposes, or to change the existing institutional setting. Implicitly or explicitly, the *perception* of a *tension* between an institutional setting and the socio-cultural values it refers to and builds on starts such

a process (cf. Wildavsky 1987). In order not to become an outcast of society in general, any agent will need to act in situations that are recognizable due to the institution that give it their meanings. Emphasizing interpretation and perception implies an understanding of knowledge that does not equate it to accumulated pieces of information, the Bayesian view of knowledge and knowledge acquisition. Insights from the field of (social) psychology and, within sociology, symbolic interactionism particularly, are implicitly drawn on (Berger and Luckmann 1966, Bandura 1986; see Dolfsma 2004). Returning to Boulding, a definition of the situation, or more generally as Boulding uses the term, an image is not necessarily held consciously by every individual in a community. In interactions with others:

“Each person has an image not only of his own role but of a great many roles around him. These images are constantly being changed by the messages received.” (Boulding 1956, p.105)



The framework presented in the figure above shows that it is not deterministic. Socio-cultural values do not determine exactly which institutions emerge; lines instead of arrows connect the concepts. Change can and does go in both directions. The relation between institutions and socio-cultural values may become undone. The perception of legitimacy of existing institutions may disappear, something which individuals may note and act upon, for instance to instigate institutional changes. Many have

contributed to the theory of institutional change, although not all of these would acknowledge the role socio-cultural values play (Scott 1995, Hodgson 1993, North 1990, Boulding 1956). Whether or not scholars from a particular theoretical paradigm do or do not acknowledge the role of socio-cultural values is partly related to their view of how to conceptualize the individual (cf. Davis 2003).

Having explained the process elements of practices and valuations, we next need to introduce the elements of performance and behavior to complete our representation of the process of institutional change, as presented in figure 4. Our focus on the process of institutional change allows for a role for agency not just to exploit the ‘zone of tolerance’ (Hamilton) that existing institutions offer, but also to seek for instance to alter existing institutions. Based on their set of values and norms, people have expectations about the performance of organizational structures or practices. Such performance is the material outcome of the ways values, power and interests are translated into practices and presents the extent to which these values and interests are served successfully, with an framework of interpretation rationalizing and legitimizing these outcomes. Individual valuations, however, may of course diverge from judgements following from this framework, and depending upon the constellation of values, power and interests, induce changes of behavior.

We submit that the above framework of the process of institutional change not only allow us to indicate when institutional change is most likely to occur, but also which direction institutional change is likely to take. Some changes are more likely than others, however. Small, incremental changes in an institutional setting can, for instance, result in a tension in the relation between socio-cultural values and institutions. Such a tension could set in motion a process wherein a community’s socio-cultural values change. In most cases, however, the institutions are more likely to change. Below we will elaborate on this point by developing the concept of ‘tension’.

## **6. The triggers of the process of institutional change: tensions**

In this paper we focus on the process of institutional *change*. This implies that we leave aside the case that individuals exercise their agency by creating a new institutional practice and concomitant definition of the situation by reference to its institutional setting and the relevant underlying socio-cultural values. Our discussion draws on the Social Value Nexus introduced earlier, which argues that behavior and *valuations* of individuals relates to how socio-cultural values are mediated by institutions. As we argue that agents are necessarily embedded in social relations with others (Davis 2003), their valuations, expressed through behavior, need to be recognized, understood by others – some others will also share

these. From the perspective of social theory, then, it makes sense to focus not so much on individuals per se, but on how individuals possibly change their institutional environment.

Tensions occur when individuals decide to act contrary to routinized patterns of behavior because (definition of) situations do not conform to aspirations and preferences, allowing valuations to diverge from expectations about the performance of an institutional setting and the way it has come to express social-cultural values. These tensions trigger changes in individual behavior and institutions. Given that our central concern is *institutional* change, we will focus on the interplay between institutions/institutional settings and socio-cultural values. The Nexus of Figures 3 and 4 suggest three sources for institutional changes, arising from different tensions:

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- A. Value tensions,
  - B. Institution tensions, and
  - C. Value-Institution tensions.
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These different forms of tensions explain institutional change and stability, we submit. It is individuals who perceive the tensions, who can act on them, as is apparent in this quote from the pragmatist philosopher John Dewey (1916, p.346, italics in original):

‘Every *new* idea, every conception of things differing from that authorized by current belief, must have its origin in an individual. New ideas are doubtless always sprouting, but a society governed by custom does not encourage their development. On the contrary, it tends to suppress them, just because they are deviations from what is current. The man who looks at things differently from others is in such a community a suspect character . . .’

Individuals can change institutional settings, we argue, when the tension perceived is shared, and the alternative institutional setting proposed is believed sufficiently justified by reference to (some of the ) socio-cultural values subscribed to by a community. The three tensions are, of course, ideal typical forms. Central to an understanding of processes of institutional change is the idea that tensions between, or mismatches of socio-cultural values on the one hand, and institutions on the other, is the motor of change.

**Proposition 5: A process of institutional change starts with a shared perception of any of three *tensions* between institutions and/or the socio-cultural values they are grounded in.**

Rather than extensively reviewing the literature on institutional change, we thus submit a proposal for understanding the topic that focuses on tensions between socio-cultural values and existing institutional settings. We will discuss these different tensions by sometimes referring to examples of institutional change in rock or pop music. Pop music is a good with an important symbolic meaning for many people, and therefore socio-cultural values are more clearly associated with it. However, many activities that people engage in have symbolic meanings, including one's work, clothing, food, political associations, hobbies, *et cetera*.

***Value tensions – type A***

At any given moment, socio-cultural values (V) that live in a community but had been associated with differing institutional settings (I) may come to clash with a different set of socio-cultural values (V') that (some) members of the community believe should (also) be reflected in such a practice. This gives rise to value tensions of type A. Pop music alludes to highly modernist socio-cultural values such as novelty, speed, autonomy, independence, pleasure, success, and youth are important among those (Frith 1996, Dolfsma 2004). Up to the 1950s such values had not been extensively associated with music. It appeared to an audience consuming music mainly through the radio and the music press that music and the way it was made available had to refer to a different set of socio-cultural values than it had hitherto: V and V' came into sharp contrast. Institutional changes may then become necessary: a movement from I to I'. Rather than having to rely on the music that is selected by 'experts' (i.e., outsiders, not part of the peer group), there is pressure for the institution of the chart to emerge. The chart points to the songs and artists that are successful and therefore deserve attention. Charts seem objective: the audience is now allowed to autonomously, independent from older people who want to teach it the right taste and manners to see their own choices reflected. Hence, a process of institutional change started to resolve this value tension between V and V' by forming institutions I' that would reflect the modernist socio-cultural values as associated with pop music. As suggested by Bush's principle of minimal dislocation, the process was gradual as parties tried to limit the (effects of the) changes as much as possible. Hence, a return to the V – I situation may occur too. What is more, if a new constellation V' - I' comes about, elements from V or from I may be incorporated into it.

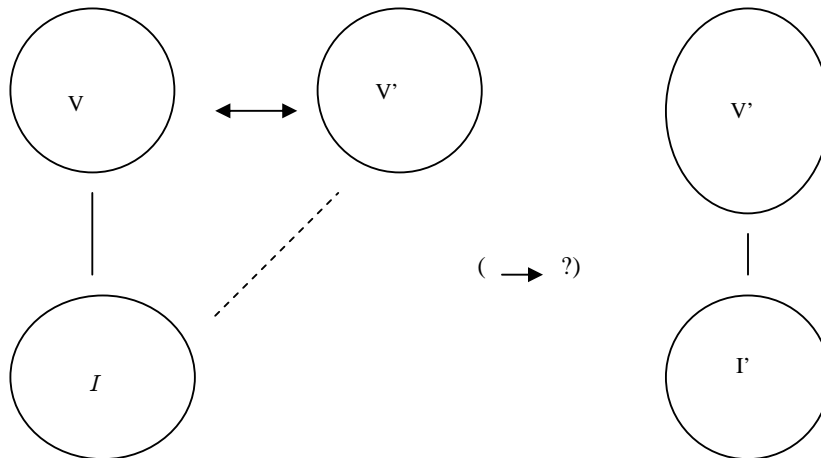


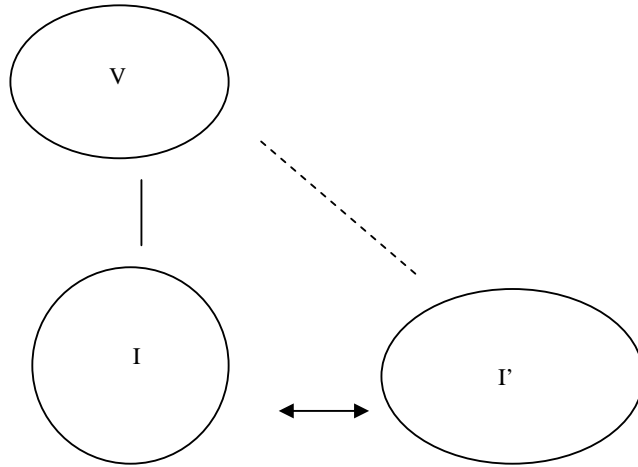
Figure 2: Institutional change and Type A tensions

**Institution tensions – type B**

Institution tensions (type B) arise when related institutions or institutional settings that builds on the same socio-cultural values, but in a different way (are) (suddenly) (perceived to) clash and pressure for institutional change emerges. Socio-cultural values are not at issue in these circumstances. Practices previously perceived to be disconnected may come to be seen as related, for instance. Tensions emerging may only be perceived after some time has passed. A process of institutional change will start to the effect that tensions disappear or are abated.

Anand and Peterson (2000) analyze changes in the institutions through which information about the music market in the form of charts in the US are compiled. Their analysis shows that institutions in the market are important for participants to make sense of the market, creating a shared focus of attention. They use the term “market information regime.” A change from a ‘chart position’ type of chart as championed for a long time by Billboard to a ‘unit sales’ one as introduced by Soundscape had a number of important effects for the music industry. It made comparisons across genres possible, it strengthened the position of the larger record labels/companies, and it created more possibilities for segmentation of the market. In addition, country music came to be represented stronger in the charts, while the charts themselves grew more volatile. It was no longer possible to hide behind the known shortcomings of the previous Billboard system. When an artist was successful, earlier she would invoke the Billboard chart to prove so; when she was not, she would point to its known faults. Most market information regimes thus have political overtones such as these attached to

them, and are subject to interpretation. Anand & Peterson (2000) describe a pure case of institutions tension in the US music market, as socio-cultural values associated with the institution of the chart did not change. Changes only relate to the different way charts were being compiled, shaking up the instituted information regime of this market. In its purity as an institution tension, it is a rare case.



*Figure 3: Institutional change and Type B tensions*

***Value-Institution tensions – type C***

An institutional ‘furniture’ I emerged or was set up with reference to a particular (combination of) socio-cultural values V, but may drift away from these values (I to I’, arrow [1]). Institutions may, over time, come to represent different socio-cultural values (V’) than they had originally (V), they may thus be hollowed out, or re-valued (Böröcz 1995). A tension arises between the original socio-cultural values V that agents immersed in the practice as well as outsiders still refer to on the one hand, and the newly emerged institutional setting I’ on the other hand. Socio-cultural values change much less quickly than institutions do - changes in the former may take decades or even centuries to materialize (cf. Campbell 1987, Inglehart 1990, Hofstede 1980), even when changes in the latter (usually) are not overnight as well, for one because institutions are interrelated. The institutional practice will thus have to change to align again with V (arrow 2’), or a new set of socio-cultural values V’ will have to be subscribed to (arrow 2’) for the particular practice.

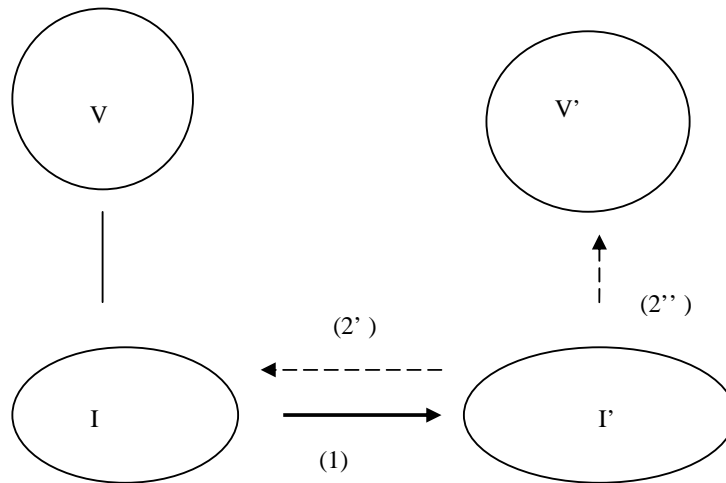


Figure 4: Institutional change and Type C tensions

Recent developments in most European health care systems present an example of the building of such a type C tension. Most health care systems in countries within the European Union are built upon the value of solidarity: we share the costs of health care, even though there are great differences in the extent to which we make use of health care services at any given moment in time between individuals, and across time for a single individual. Health care systems across Europe are, however, very much under pressure for at least the following reasons:

- (1) The ongoing process of individualization whereby persons feel less strongly related to and responsible for others in their family, class, religion, society. Being responsible for their possible misfortunes themselves, these others need to fend for themselves. Reciprocal social responsibilities decline, and our sense of community is diminished. A solidarity-based health care system would then not be seen as legitimate.
- (2) A widening gap between expectations of and demands on the health care system on the one hand, and the limited and conditional nature of its supply on the other hand. In continental Europe at least, for reasons of scale economies the government has come to monopolize many aspects of health care systems that are legitimized by a reference to solidarity. Governments are also trusted to do so. Demand has (sharply) increased because of the rising number of elderly, consumerism from well-informed and assertive clients, growing medical knowledge and technical possibilities. Due to a government that wants to control the budget for health



care expenditures restrictions supply of health care services has lagged behind. Informal care has diminished too. The scarcity that resulted puts strains on solidarity as a principle for structuring health care.

- (3) Attempts to save the solidarity-based health care system from collapse, has induced a gradualist policy of downsizing and rationing. Field formerly a responsibility of the system have been outsourced to the private (market) sphere or redefined as a private responsibility. Moving the financial responsibility for the use of health care services to individual may be needed to prevent free riding, as it provides incentives to moderate demand, but it is equally a threat to solidarity as a basis for the system by addressing people as knaves thereby undermining their knightly (intrinsic) motives (Le Grand 2003).

As a consequence, European health care systems have moved from a solidarity based system (I) towards a market-oriented systems based on competition, emphasizing individual interest and responsibility (I'). Ostensibly, however, the socio-cultural values the system is founded in are, still largely those of solidarity, at least for many participants in the system and not just patients and health care providers (Grit & Dolfsma 2002). A shift towards an 'American' system (I') with its emphasis on choice, freedom and accountability at some point will be perceived by individuals to have caused a tension of type C. Either a new ground for legitimating institutions of health care is sought (in V'), or the institutional setting moves back from I' to I again.

## **5 Individual Action & Institutional Form**

“To a very large extent changes in the image comes about through the impact on society of unusually creative, charismatic or prophetic individuals.” (Boulding 1956, p.75)

We argue that individuals cannot escape institutions, but people do have choices and can exert their agency even within any given institutional furniture. Drawing on the long discussion that is often perceived as structure *versus* agency, we argue that the opposition is overemphasized by many. The major scholars who have focused on the theme are somewhere in the middle on the continuum rather than at the extremes. Arguing that a focus on the *process* of institutional change allow bridges to be build, we discuss the choices individuals may make in terms of the Social Value Nexus. This Nexus shows how institutions and institutional settings must be perceived as legitimate, referring to socio-cultural values, ways of offering order in a specific practice where some kind of order is deemed to be

needed. Any given institutions, perceived or defined by individuals in particular situations, may be changed by the behavior of individuals. We submit that such will be possible when any of three different tensions are perceived between socio-cultural values relevant for a practice, between institutional settings relevant for a practice, or between two different sets of socio-cultural values and related institutional settings. Such a conceptualization both indicates how agency plays a role in structures, and is able to help social scientists understand when and how institutional settings change.

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## **Appendix A: Institutions - defined and interrelated.**

Neale (1987) claims that an institution may be said to exist when (1) there are a number of people showing (2) the same kind of behavior in (3) similar situations, (4) each justifying or explaining their behavior in the same way, an institution exists. Condition (4) points to socio-cultural values that underlie people's behavior, and is thus a crucial element. Institutions concerns *social* phenomena, they do not concern what John Searle (1994) has called 'brute facts'. Therefore, it should be *possible* to change the institutions. In this view, then, institutions can be as much enabling as they can be constraining. Enabling or constraining of social, that is non-natural or non-biological, behavior – behavior that *can be* changed. The use of money is an example of an institution. An institutional setting is the specific combination of a number of interrelated institutions; institutions can be studied at different levels of analysis. A market is an example of an institutional setting, as it combines a number of institutions including the institution of the use of money. In a similar vein could radio programs, including charts and disc jockeys, broadcasting organizations and a country's broadcasting system be looked at as institutions (Dolfsma 2004). An institution does not have to have an ontological status but can be 'merely' epistemic, a mental construct (Neale 1987). Institutions may thus be formal as well as informal, and give activities, expectations stability and repetition, making society predictable to a certain degree. Not least of all, however, the people involved justify or explain their behavior in similar ways, as meaning is attached to practices.

When individual behavior is influenced by, and dependent on the social environment consisting of institutions related to each other in some way, three issues become important. The first one is how the social environment influences people's behavior. Socialization is one way of looking at this. A second, clearly related issue is how institutions are interrelated to shape what can be called a culture. The third issue is that of institutional change: how and why do institutions change.

Bush (1987, p. 1106), drawing on the same literature as Neale (1987), emphasizes "the interdependence of institutional structure" to the point where he argues that the dislocation of the institutional structure that a change causes needs to be 'minimal' in order to be feasible. In a similar vein, studies of the concept of culture, its systematic, almost organic nature is uniformly stressed (DiMaggio 1994; Eckstein 1996; Peterson 1979; Rockeach 1979). Changes are, consequently, more likely to be evolutionary than revolutionary. Changes in the institutions are not just relatively slow; their occurrence as well as their direction is in large part dependent on what was before. Institutional change is a path dependent process. 'Path dependence' does not necessarily refer to the development of technology (David 1985); 'history matters' in the social environment as well (David 1994, Hodgson 1999, Becker 2004). As Bush (1987, pp.1077-8) observes, emphasizing the role of institutions and values in understanding path dependence, "values not only correlate behavior within the behavioral pattern, they also correlate behavioral patterns with one another".

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