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Why do established practices deinstitutionalize? An actor-centered approach

Abstract: Drawing on 63 in-depth interviews from three American multinationals, we investigate how individual actors negotiate the interplay of insider and outsider pressures on the deinstitutionalization of four employment practices in an institutionally complex setting. Existing institutional theory highlights different degrees of deinstitutionalization, from complete abandonment of practices to partial erosion, with an underlying presumption of organizations and actors striving for stability and stasis. However, our study finds that actor reconciliation of interacting insider and outsider pressures can result in three distinct phases of deinstitutionalization (complete, partial, and negotiated deinstitutionalization) which crucially coexist, suggesting perpetual instability and change. We conceptualize the individual-level enabling conditions for each of these different phases of deinstitutionalization, highlighting a range of actor responses as well as differences in how they exercise agency across each phase. Examining actor negotiation of the interplay of insider and outsider pressures improves our understanding of how individuals engage in differential institutional work when responding to practice deinstitutionalization.

Keywords: deinstitutionalization, institutional work, agency, institutional complexity, multinationals, Global South

Introduction

Deinstitutionalization remains an empirically under-researched area within institutional theory, despite it being highlighted many times for its potential theoretical and empirical importance (Maguire & Hardy, 2009; Zilber, 2002; Oliver, 1992). Deinstitutionalization refers to the weakening and erosion of organizational practices and activities because of waning organizational consensus around them, eventually leading to their abandonment and disappearance (Scott, 2001; Oliver, 1992). Entrenched practices are discontinued not because better alternatives have emerged but because political, social and functional pressures from both within and outside the organization have robbed them of their legitimacy and meaning (Maguire & Hardy, 2009; Oliver, 1992). Existing literature has treated deinstitutionalization as either insider-driven i.e. organizational actors and endogenous forces initiating change (Lawrence & Suddaby, 2006; Greenwood & Hinings, 1993) or outsider-driven in response to external pressures such as a changing regulatory environment, economic crises (Ahmadjian & Robinson, 2001; Stark, 1996), major political upheavals (Carroll, Delacroix & Goodstein, 1988) or even disruptive external actors such as the media, independent researchers and specialist agencies (Maguire & Hardy, 2009).

This paper extends current work on deinstitutionalization by moving beyond this dichotomic consideration of either insider or outsider pressures and examining the under-considered *interplay* of both these pressures (Clemente & Roulet, 2015). Burgeoning institutional scholarship is increasingly emphasizing how micro-level processes initiated by local actors can affect both institutional change and institutional maintenance (Zietsma & Lawrence, 2010; Dacin, Munir & Tracey, 2010). Therefore, we specifically focus on how individual actors make sense of, and influence, this interplay between the ‘macrophenomena’ of insider and outsider pressures on the deinstitutionalization process (Clement & Roulet, 2015: 100). Literature on agency and micro-phenomena has also been criticized for focusing more on an outside-in approach of ‘how institutional forces dictate individual behaviour’ while underplaying how ‘micro-level activities affect the nature of these forces’ (McPherson & Sauder, 2013: 166). We focus on the latter by empirically exploring how actors understand and react to multiple pressures, the potential heterogeneity of these micro-level responses, and most importantly the subsequent implications for deinstitutionalization itself.

Furthermore, we study these actor responses in a context of high institutional complexity signifying multiple and often conflicting institutional demands (Pache & Santos, 2010; Greenwood et al, 2011). Lok (2010) has highlighted our limited understanding of actor responses and decision-making processes in multi-institutional environments specifically, even though extant work has argued that institutional heterogeneity is likely to facilitate agency by stimulating actor reflexivity (Emirbayer & Mische, 1998; Battilana & D'Aunno, 2009). To this end, we explore micro-level processes in three American MNC subsidiaries in a developing country – an organizational and environmental context situated ‘at the intersection of multiple institutional fields’ each with its own distinctive set of expectations, cultural codes and logics (McPherson & Sauder, 2013: 166). In this context, individual actors need to navigate and reconcile not only multiple insider effects of corporate, home and host country influences (Edwards *et al*, 2015; Ferner, Quintanilla & Varul, 2001) but also multiple outsider pressures because of contradictory normative and cognitive prescriptions sometimes coexisting in a rapidly changing society typical of many developing and emerging economies (Boisot & Child, 1996).

We study the interplay of deinstitutionalization pressures by considering the erosion of four employment practices: 1) wage determination on the basis of seniority, age or preferentialism, 2) firm-specific training by the employer, 3) internal promotion and lifetime/long-term employment, and 4) organizational provision of security/welfare for their employees (Dore, 1989). We focus on the erosion of these specific practices because they continue to subsist in our country of study, Pakistan, but are likely to differ from American MNCs’ more performance-oriented approach. This offers a unique context of institutional incompatibilities against which to study actor-negotiated interplay of deinstitutionalization pressures. Our intention, in studying the erosion of these specific employment practices, is not to theorize the delegitimizing effects of organizational and contextual factors (Guest & Conway, 2002) on the employment relationship *per se* (Bosch, 2006; Dickens, 2003; Deakin, 2002). Instead, we examine changes in these practices as the empirical backdrop for highlighting individual, practical agency in reconciling insider and outsider pressures, as well as conflicting institutional prescriptions, in order to contribute to the theories of deinstitutionalization. The following section begins with a critique of the institutional work literature with a focus on the degree, and type, of agency that is exerted during the deinstitutionalization of existing practices. Given the empirical context of this paper

we will also consider existing literature on the role of agency in institutionally complex/pluralist settings.

Institutional Work

A key criticism of institutional theory is an overriding emphasis on ‘macrodynamics’ and organizational institutionalism that underplays the role and experience of individual actors (Lawrence et al, 2011: 52). Recent scholarship on institutional work moves beyond this ‘mindless institutional reproduction’ (Smets & Jarzabkowski, 2013: 1281) and offers a more refined understanding of agency as interest-driven, planned and strategic (Beckert, 1999); whereby social skills and political action can be used by actors to affect stability/instability within organizations (Fligstein, 1997). Thus, agency is conceptualized as actors’ ability to construct, maintain and deconstruct institutional arrangements (Smets & Jarzabkowski, 2013) by playing a proactive or even reflective rather than conforming role with respect to both institutional change and institutional maintenance (Lawrence et al, 2011; Delbridge & Edwards, 2008). This allows a more nuanced appreciation of ‘social construction, and power and politics’ (Kostova, Roth & Dacin, 2008: 997 & 1003) when studying actors’ reconciliation of deinstitutionalization pressures.

Our paper builds on this institutional work stream to generate a deeper conceptual understanding of the interplay of insider and outsider deinstitutionalization pressures in three ways. First, we consider actors’ *desire to respond* to processes of institutional erosion based on agentic preference for organizational entropy versus organizational inertia/resistance (Zucker, 1988; Oliver, 1992) and subsequent behaviours ranging from active resistance to passive acceptance (Oliver, 1991). The notion of embedded agency emphasized in institutional work (Lawrence & Suddaby, 2006; Lawrence, Suddaby & Leca, 2011) enables a deeper appreciation of the impact of differential actor preferences on ‘the processes of de- and re-institutionalization’ (Delbridge & Edwards, 2002: 52). Therefore, actors’ desire for consistency versus change will determine their participation as institutional entrepreneurs, opposers, consumers of change or opportunity creators (ibid) during the deinstitutionalization process. Our paper aims to differentiate between these distinctive actor preferences for deinstitutionalization. Therefore, actors who prefer consistency and low uncertainty (Oliver, 1992) may deliberately play off contradictory insider

and outsider pressures against each other to stem the nature and pace of deinstitutionalization and shield themselves/others from the effects of institutional erosion. On the other hand, institutional entrepreneurs and consumers of change, who are the internal 'market' for change (and innovation) (Delbridge & Edwards, 2002), may deploy a range of individual, organizational and societal resources to proactively and strategically influence the interplay of insider and outsider deinstitutionalization pressures to their advantage.

Second, we highlight actors' *ability to respond* to deinstitutionalization dependent on the relative strength of a) insider pressures and corresponding field opinion and b) outsider pressures and public opinion as well as c) internal patterns of 'organizational power, authority and political influence' (Oliver, 1992: 583). Insider pressures such as organizational peers' degree of engagement with change can result in a dominant/majority opinion within the institutional field – with associated 'threats and benefits of compliance or noncompliance' (Clemente & Roulet, 2015: 99). Subsequently, individual actors' ability to orchestrate the interplay of insider and outsider pressures may be affected by field approval or disapproval surrounding the deinstitutionalization process. Similarly, outsider pressures (such as normative values and cognitive expectations) can introduce the discursive effects of public opinion either for or against deinstitutionalization within the organization. Therefore, if outsider pressures are strong, value-laden, or historically entrenched, the threat of social approval or disapproval can impact how actors negotiate the interplay of insider and outsider deinstitutionalization pressures. Moreover, the political influence of actors, and organizational 'fractions (that) constitute the dominant power bloc' (Burawoy, 1979: 250), will also determine actor ability to respond to practice deinstitutionalization. Actors with greater 'legitimacy, power, competence or bargaining skills' (Oliver, 1992: 583), or individuals acting in an official, organizational capacity (Zucker, 1977), should not only experience greater latitude in their manipulation of the interplay of key pressures, but should also be better able to mobilize support for their individual interpretation and implementation of the deinstitutionalization process.

Third, we explore actors' *type of response* to deinstitutionalization when balancing a range of insider and outsider pressures. Our paper explores how actors engage in different forms of institutional work in response to deinstitutionalization pressures thereby affecting change in

existing institutions, the very process of erosion, as well as deinstitutionalization outcomes. For this consideration of actor responses, we draw on Emirbayer and Mische's (1998) multi-dimensional approach to agency, which allows us to capture a range of individual responses to deinstitutionalization from active resistance, reproduction and transformation to passive engagement. Emirbayer and Mische's (1998) dimension of iterative agency is underlined by a past orientation and involves 'selective reactivation by actors of past patterns of thought and action' (p. 975). The practical-evaluative dimension has a present orientation and involves actor responses to a changing set of current exigencies (ibid, 994). Finally, the projective dimension has a future orientation signifying engagement with, and negotiation of, the future (ibid, 984). Our paper considers a *range* of agentic responses to deinstitutionalization and recognizes actors as aware and purposeful rather than acting as 'institutional automatons' (Battilana & D'Aunno, 2009: 47) in response to calls for 'a broader vision of agency' (Lawrence et al, 2009: 1) in institutional work. Given our focus on deinstitutionalization, actors can perceive practice erosion resulting from performance crises as a present-oriented contingency and therefore display practical-evaluative agency when reconciling these insider pressures with outsider normative and regulatory pressures. 'Changing power distributions' within the organization (Oliver, 1992: 570), such as an international merger/acquisition or the chain of command/control shifting from the global to the regional headquarters (HQ), and subsequent practice deinstitutionalization, may require a more projective form of agency in negotiating the interplay of insider and outsider pressures. Furthermore, societal pressures of historical continuity and embedded social values can elicit iterative actor responses to interacting insider and outsider pressures.

Institutional Work in a Context of Institutional Complexity

Extant work on institutional complexity highlights the co-existence of multiple and divergent institutional demands, expectations or logics, often with an emphasis on incompatibility (Greenwood et al, 2011; Pache & Santos, 2010; Kraatz & Block, 2008). Actor reconciliation of this 'jurisdictional overlap' between contradictory institutional logics (Thornton et al, 2012: 57) can in turn result in conflict (Dunn & Jones, 2010) as well as problem solving and negotiation (McPherson & Sauder, 2013). However, a key shortcoming of existing work on institutional complexity is its predominantly 'downward' approach to agency (Delbridge & Edwards, 2013), signifying an emphasis on *organizational* responses to conflicting environmental demands

(Kodeih & Greenwood, 2014). Therefore, institutional demands are often treated as ‘extra-individual’ (McPherson & Sauder, 2013) and actors as ‘unreflexive carriers of institutions’ (Delbridge & Edwards, 2013: 2). This results in a limited understanding of how actors convert ‘plural social orders’ (ibid – *emphasis added*) and competing institutional demands into a range of human actions such as reproduction or innovation/transformation (Thornton et al, 2012). Furthermore, we have little empirical understanding of how agentic actors reconcile divergent institutional demands and logics at *multiple levels of analysis* i.e. actor responses to the interaction of institutionally complex insider and outsider pressures.

With respect to insider pressures MNC subsidiaries offer a compelling context in which to study institutional complexity because social legitimacy requires the navigation of competing global/corporate culture, home country and host country logics (Edwards *et al*, 2015; Ferner, Quintanilla & Varul, 2001). MNC responses to these multiple institutional orders can result in adaptation, institutional innovation, or even resistance (Edman, 2016; Regner & Edman, 2014; Meyer et al, 2011; Meardi et al, 2009). Therefore, insider pressures on deinstitutionalization are particularly complex in the foreign subsidiary context and further complicated depending on institutional distance (Kostova & Zaheer, 1999; Xu & Shenkar, 2002) and the degree of ‘foreignness’ i.e. ‘home-host country dissimilarities’ (Zaheer, 1995; Edman, 2016: 58). This has two key implications for our paper. First, institutional complexity and contradictory pressures at the subsidiary level may result in partial change and/or adaptation signalling an incomplete process of deinstitutionalization. Second, the range of dynamic and constantly evolving insider pressures acting on MNCs (Crouch, 2005) signal a context in which institutional complexity is experienced as permanent rather than transitory (Zilber, 2011; Kraatz & Block, 2008). This in turn can result in significant intra-organizational variations in subsidiary actors’ reconciliation of insider and outsider pressures on practice deinstitutionalization.

In terms of outsider pressures, comparative institutional literature highlights nationally distinctive institutional arrangements (Amable, 2003; Hall & Soskice, 2001; Whitley, 1992 & 1999) because of differential ‘historical, cultural and institutional processes’ and systems (Rees & Edwards, 2011: 40). Therefore, country-specific variations in institutional complexity can be expected at the societal level of analysis. Our key contention is that the predominant

Northern/Western view of institutions as stable, interconnected, and immobile (Regnér & Edman, 2014), as well as extant studies on outsider-driven deinstitutionalization in relatively stable business systems such as Japan (Ahmadjian & Robinson, 2001) and the U.S. (Maguire & Hardy, 2009), have limited applicability for rapidly changing developing economies like Pakistan. Much of the ‘Global South’ (Alcadipani *et.al*, 2012) has experienced systemic societal change and replacement of institutions because of the coexistence of poverty and income inequality, escalating geopolitical conflict and social unrest, and increasing environmental vulnerability (Arnold, 2014) alongside globalization, increased FDI inflows, influx of foreign MNCs, the rise of third world multinationals, and integration into the global financial system (Soederberg, 2004; Khanna & Palepu, 2006; Wells, 1983). This sustained and often oppugnant societal change has implications for institutional complexity on two counts. First, systemic environmental instability results in high ambiguity and uncertainty and provides actors ‘greater room for manoeuvrability and action’ (Regnér & Edman, 2014: 278) when exploiting institutional contradictions (Creed et al, 2010). Second, rapid and contradictory change at the macro-societal level can result in dynamic outsider pressures. More work is needed on how agentic actors unravel this ‘contradiction and interdependence’ of institutions (Friedland & Alford, 1991: 241) and the subsequent implications for the interplay of insider and outsider deinstitutionalization pressures.

In conclusion, we study deinstitutionalization with the specific aim of capturing cross-level interaction between insider and outsider pressures from the perspective of agentic actors. Furthermore, we do so against a backdrop of high institutional complexity that requires actor manipulation and reconciliation of competing demands at the societal *and* organizational levels of analysis. This allows a more expansive exploration of agency and institutional work. Specifically, we explore the following research questions:

RQ1: How, and to what extent, can actors negotiate the interplay of insider and outsider pressures on the deinstitutionalization process?

RQ2: Can actor negotiation of this interplay of insider and outsider pressures lead to differential patterns of deinstitutionalization?

The following section outlines the methodological rationale, the research process undertaken, the organizational context of the three case study subsidiaries under consideration as well as a brief overview of the socio-institutional context of Pakistan.

Methodology

Given the research objectives of studying actor reconciliation of insider and outsider pressures on practice deinstitutionalization, an interpretivist approach was adopted to draw out the socially-constructed (Husserl, 1965) 'subjective realities' (McKenna et al, 2011: 150) of a range of agentic actors. The emphasis was on studying the bottom-up effects (Hitt *et al*, 2007), i.e. how actors interpreted and reconciled the interplay of insider and outsider influences. Furthermore, the interpretive paradigm helps capture the uniqueness and contextual depth (Myers, 1997) of the institutionally complex milieu of MNC subsidiaries operating in an under-explored context like Pakistan. A comparative, multi-case approach was adopted in line with recent calls for qualitative international business research (Birkinshaw et al, 2011). Three American subsidiaries were drawn from banking (BankCo), agro-chemical (ChemicalCo) and retail (BeverageCo) sectors. Although all three were American, differences in home country effects could be expected given significant variations in subsidiary size, age, product markets, and competitive pressures (see table 1). Case selection emphasized theoretical significance rather than statistical representativeness (Meardi et al, 2009) and two key criteria were applied: subsidiaries should be successfully operating in Pakistan so that business failure would not obfuscate the deinstitutionalization process and access to the Pakistani head office was possible so that the research could tap into a large pool of subsidiary actors fulfilling the sample criteria (outlined below).

(insert tables 1 & 2 here)

A total of 63 in-depth, semi-structured interviews were conducted (see table 2). Eleven interviews with senior subsidiary management (lasting 60-90 minutes) provided information on the organisational context. These interviewees were specifically chosen for their knowledge of both subsidiary-level strategy, policies and practices as well as the international orientations and global strategy of the MNC.

An additional 52 workers¹ were interviewed (for 45-60 minutes each) to capture a range of actors experiencing deinstitutionalization. Respondents had at least degree-level qualification or above, permanent employment status, and came from across different hierarchical levels (ranging from graduate recruits to director level employees) and functions (such as HR, sales and marketing, manufacturing, IT, accounting etc.). Given the theoretical lens of institutional work it was important to have a large enough sample that would highlight 1) dominant versus low-power actors with differential political influence and opinion-forming/conforming behaviours (Clemente & Roulet, 2015) (see last row of table 1), 2) in-group relations and the possibility of collective institutional work² (Lawrence et al, 2011), and 3) potential differences in actor agency and responses when reconciling interacting insider and outsider deinstitutionalization pressures. Participants were interviewed at their place of work (with the exception of ChemicalCo regional managers who were dispersed across the country, necessitating telephone interviews). All interviews were recorded and transcribed (including translation where necessary). Analysis was conducted using a ‘combined technique of inductive and deductive thematic analysis’ (Fereday & Muir-Cochrane, 2006: 81) whereby a dual approach was adopted for coding and interpreting textual data. Table 3 sets out the key stages undertaken during the analytical process and the methodological rationale for each stage.

(insert table 3 here)

Pakistan – the socio-institutional context

A structural institutionalist analysis of Pakistan highlights it as an institutionally complex context exhibiting features from several varieties of capitalism or business systems with subsequent implications for the four practices under consideration. An insider model of corporate governance dominated by owner-managers, typical of the personalized business system of the Philippines and Thailand (Walter & Zhang, 2012), combined with fragmented and weak union organization and low collective bargaining, is visible in Pakistan’s lightly regulated labour

¹ Since this paper is studying deinstitutionalization with respect to employment practices, the employment relations distinction of ‘management’ and ‘workers’ is adopted to differentiate between actors with strategic, subsidiary-level managerial responsibilities and those without.

² In this paper collective institutional work is conceptualized as in-group relations and collective notions of loyalty and cohesion (House et al, 2004) rather than traditional union representation since professional and managerial staff in Pakistan are prevented from unionizing because of labour law and thereby not covered by collective agreements (Hisam, 2014; Ghayur, 2009; UNI, 2008).

market with minimal state intervention (for example, no systematic enforcement of minimum wages, working hours, dismissal protection or union representation of managers/professionals) (Ghayur, 2009). One can also trace the dualistic characteristics of the state-led systems of China and Malaysia (Walter & Zhang, 2012) (namely long-term employment, training and welfare provision in the public sector) in Pakistani public sector organizations' continued emphasis on dependence and 'long-term mutual obligations' (Eldridge & Mahmood, 1993). Furthermore, key drivers of change such as 'deregulation, increased globalization, and economic hardship' (Khilji, 2003b: 142) have led to an increasingly 'arms-length' approach by the Pakistani state typical of liberal market economies (Hall & Soskice, 2001), and created even greater variation in organizational practices. Therefore, younger, highly skilled employees, exposed to Western education and management ideals increasingly favour more individualistic employment practices (Khilji, 2001). However, there is also continued persistence of more collectivist, socially sanctioned, traditional values learned through early socialization (Khilji, 2003b) persisting alongside these more modern, 'Western' notions of management (Khilji, 2003a, b, 2002). (insert figure 1 here)

This duality in societal values and norms has specific implications for the practices under consideration in this paper (see figure 1). For instance, with respect to wages there is continued evidence of employee benefits being tied to family welfare, reward being rated lower than normative values like respect and authority, and high salary differentials within organizations alongside growing acceptability of performance-based financial rewards in other segments of the labour market (Khilji, 2003 a & b). Similarly, in some organizations internal promotion is still closely tied to factors like age, length of service, and personal bias (based on regional, religious and caste affiliations) while in others there has been a shift towards external employability and individual responsibility for career development (Author a, 2013). This specific combination of sometimes contradictory practices can be attributed to the particular evolutionary path taken by Pakistan, which has subsumed processes of both radical as well as gradual institutional change (Walter & Zhang, 2012; Mahoney & Thelen, 2010; Streeck & Thelen, 2005). More importantly, this duality in the implementation and experience of specific practices offers a unique context in which to study deinstitutionalization because high institutional complexity inherent in the outsider pressures will in turn have an impact on the *interplay* of insider and outsider pressures.

Findings

Given our actor-oriented approach, we consider the interaction of insider and outsider pressures, and the subsequent impact, on deinstitutionalization with respect to four key employment practices: 1) wages, 2) training, 3) internal promotion, and 4) job security/organizational provision of welfare. In line with our over-arching aim of studying individual, practical agency we highlight both key insider and outsider pressures as well as differential actor responses to the interaction of these pressures.

Wages

All three subsidiaries exhibited a strong ethos of individualized, competitive, and differentiated wages signalling deinstitutionalization of preferential and seniority-based reward practices in favour of a performance-oriented approach. Subsidiary actors appreciated performance-based wage differentials because it emphasised transparency and meritocracy - ‘wage growth... here (is) purely based on performance’ (FC-E-2) and ‘... if you are performing... if you deserve it you don’t even have to ask for it...’ (CB-E-11). This signaled a predominant actor response of *compliance* with practice deinstitutionalization as opposed to favouring socially sanctioned factors such as age, seniority, nepotism etc..As a BeverageCo employee highlighted:

‘(Wages are)...based on individual performance and yearly reviews and organizational performance. I would say it is pretty clear cut and there is not much subjectivity associated with it...’ (CC-E-7)

Headquarter (HQ) control over subsidiary wage bills and high performance pressures on compensation exerted strong insider pressures on the erosion of alternative patterns of wage allocation subsisting in Pakistan. ChemicalCo’s HR Director (Asia-Pacific region) argued:

‘...the basic business philosophy... is... you pay for performance... and that again is a global(ly) driven thing’. (FC-M-1)

Additionally, dominant workgroups (i.e. high-potential actors with a significant impact on subsidiary performance) predictably enjoyed the highest wage growth. For example, a high-potential manager at BeverageCo (who had been poached from a competitor firm) highlighted that‘(compared to) when I joined... the salary I’m earning now is about 3 times more... which is simply phenomenal over a 6 year period’ (CC-E-1) while a low-power actor in the same department had exactly the opposite experience - ‘(wage growth) in this company it is slightly on

the lower side but then that is the constraint with (my) department' (CC-E-11).

An interesting actor response of *supplementation* emerged that reflected enduring socio-institutional legacy effects – i.e. allocating some reward on the basis of care, taking into account employees' personal circumstances, and the importance of preserving dignity/reputation through reward mechanisms alongside the dominant rhetoric of performance-based wages. A Chemical Co respondent highlighted that:

'The (manager) does have discretionary powers... for example if he feels that this employee ... some year for some reason he has had problems and he wasn't able to perform... sometimes they accommodate that person...' (FC-E-4)

This supplementation response of competitive and performance based wages subsisting alongside socially approved variables such as seniority, rank, status markers and class symbols in Pakistan was also evident in the flexible allocation of employee benefits - beyond the dominant, centrally controlled, and performance-oriented approach to compensation. Therefore, a gradation system 'dependent on your rank' within the organizational hierarchy was applied when allocating benefits. Additionally, a far more extensive range of employee benefits (including cars, computers, phones, medical and health insurance, life insurance, provident fund, gratuity fund, preferential loans/mortgages etc.), far higher than in comparable national firms, were offered so that 'perks' matched 'your status in the company' (CC-M-1).

Training

Consideration of training practices highlighted an incomplete process of deinstitutionalization. Instead of lower skilling and devolving learning to the employee, training continued to be regarded as a key organizational responsibility. This can be attributed to insider-pressures exerted by HQ-mandated goals such as subsidiary profitability, talent identification and market expansion/new business creation, which required constant up-skilling and therefore acted *against* anticipated practice deinstitutionalization. For instance, the Corporate Banking Head for BankCo Pakistan observed:

'(training is) intensive and... because if you are (operating) in so many countries you need to have a certain degree of formalized level of training... the policies and procedures are a lot more elaborate so you need to be trained in... how those specific policies and procedures apply...' (CB-M-1)

There was also a continued focus on firm-specific as opposed to general training at the subsidiary level, emphasizing ‘exposure to (organizational) best practices’, ‘training was focused more on what was the need of the business locally’ and ‘training (that) goes with the strategy’. A key actor response (especially for those with managerial responsibilities) was one of *supplementation* whereby the already extensive developmental activities offered by the organization were augmented ‘boss-driven’, ‘on-the-job training’, ‘mentoring and coaching’ and ‘soft skills development’ (CB-M-1). This focus on personal tutelage, over an impersonal and formal employer-employee relationship, reflected lingering outsider socio-cultural influences on paternalistic leadership attitudes and strong in-group affiliations.

However, training expenditure was disproportionately concentrated on actors who were seen to offer a higher return on organizational investment. These dominant actors therefore benefitted not just from more training but also more diverse learning/developmental opportunities. Crucially they also enjoyed more autonomy in choosing their training courses and therefore, were more likely to emphasize the creation of ‘general skills that apply to almost any other organization’, and how learning was ‘transferrable’ and led to ‘overall development’ (CC-E-9). In contrast, low-power actors were offered far less training with lower transferability across the external labour market:

‘...most of the trainings BankCo provides to front end staff.. I’m back end staff.. (the bank’s main concern is to make money so that’s why they spend a lot of money on front end staff.. they don’t provide a lot of training to back end staff.. only basic training, once in a year...’ (CB-E-7)

These intra-organizational differentials had resulted in an entrepreneurial response of *syncretization* whereby low-power actors proactively developed diverse/atypical in-group relationships to improve access to learning opportunities and increase their own employability akin to their dominant counterparts. This involved not just relationship-building with a ‘mentor at work’ (CC-E-5) but also extensive social interaction and networking with distant organizational members (i.e. in other cities and even countries) in order to capitalise on ‘lateral learning’. Proactive networking for learning purposes emerged as a common practice (even in the case of Bank Co where formal communication with other branches was quite limited) and served as a key response for those low-power actors ‘left to their own resources’ because their

‘training (was) not appreciated or well developed’ by their employing organization.

Internal promotion

There was strong corporate HQ control over headcount in all three MNCs and significant home country pressure to promote on the basis of performance, as opposed to persisting institutional preference for tenures, seniority or contacts. Moreover, all three subsidiaries had very lean organizational structures symptomatic of American MNCs which necessitated this performance-based approach to promotion. Actors across all three MNCs exhibited a keen awareness of how performance-mediated internal promotion more so in foreign organizations as compared to socio-institutional norms prevalent in local firms. An HR employee at ChemicalCo stated that:

‘If I am not performing well after 2-3 months, maximum 5 months, management will say either you perform or you leave... it’s like that everywhere but I think it’s less (so) in national companies’. (FC-E-13)

However, there was only partial *compliance* with deinstitutionalization to completely competitive promotion practices because of the impact of countervailing insider and outsider pressures. First, there was an outsider-driven necessity to maintain stable internal labour market conditions and retain and promote existing staff given a small and competitive labour market for managers/professionals, which encouraged ‘a lot of movement’, ‘going around in full circles’ and moving to ‘bigger and better roles’ (CB-M-1). Second, ChemicalCo and BeverageCo in particular were also under strong insider pressure from the HQ to develop talent pipelines of potential expatriates for deployment to other regional/international operations. For example, ChemicalCo held regional ‘leadership development reviews’ where ‘we used to talk about the talent... so even the chairman would know who the top 20 per cent was...’ (FC-M-1). The interaction of these conflicting insider and outsider pressures at the organizational level of analysis diluted the deinstitutionalization process and even created some room for tenure- and seniority-based promotion with respect to individual actors. Subsidiaries could ill-afford the effects of job-hopping and attrition and this meant explicitly favouring internal candidates for ‘senior level opening(s)’ in order to ‘show people that they have careers... and serious opportunities’ (CB-M-1).

However, actor awareness of these insider pressures (to retain talent) alongside outsider pressures (of a highly competitive external labour market) led to the unexpected outcome of actors proactively taking *individual* responsibility for ‘career growth and career development’. This *supplementation* response married expectations of rapid, meritocratic promotion whereby they ‘skipped a few levels’ (FC-E-1) with capitalizing on market opportunities if internal growth opportunities ‘failed to impress’ or did not signal an ‘increase in responsibilities’, and actively monitoring available jobs in the external market whether they intended inter-organizational moves or not. This was an unexpected actor response because the interplay of conflicting insider and outsider pressures had stymied the deinstitutionalization of promotion practices, which actors could have strategically exploited to resist performance-based promotion. Instead, actors relied on a supplementation response of relying on higher general employability because they knew that they were highly ‘marketable’ and ‘competitor companies are on the lookout to poach’ (FC-E-12) given their work experience and training in a well-known foreign firm with a ‘brand name’ (CB-E-2).

Job security & provision of welfare

There was an emphasis on a performance-oriented organizational culture and externalization of job security and welfare onto the employee across all three MNCs. Actors confirmed this deinstitutionalization of lifetime employment by expressing opinions like the ‘phenomenon of job security I feel no longer exists’ and ‘that fear is always there... in our minds’. This internalization of insecurity, and personal responsibility for their continued employment based on individual performance, was seen as a natural trade-off given that they enjoyed meritocratic growth and higher monetary benefits compared to national organizations.

A second key finding was the differential pace of deinstitutionalization with respect to this particular practice across the three subsidiaries. BankCo offered the lowest job security, primarily because of the streamlining of the Pakistani operations in response to the global financial crisis. Job security in ChemicalCo was also rated as relatively low because a recent internal restructuring had led to a significantly leaner structure and a stronger performance-oriented culture. In comparison, BeverageCo offered relatively high job security (although never at the cost of poor performance) and the regional HQ had explicitly issued reassurances on job

security in order to avoid panic and subsequent attrition since their ‘restructuring took place immediately after the financial crisis started’ and ‘people were doubly worried’ about layoffs (CC-M-1). These intra-organizational differentials in turn had a direct impact on the strength of the insider pressure exerted on the deinstitutionalization process.

An actor-centred approach to this practice highlighted several micro-level responses. A key response was *syncretization* whereby actors reconciled higher insecurity by evoking notions of their ‘elite’ status in the external labour market as well as their ability to utilise both their employability and personal contacts to secure alternative employment. A BeverageCo employee highlighted that:

‘... because the pool of professionals is limited... particularly those who have rich and relevant experience. So (that’s) a bargaining position for each one of us’. (CC-E-1)

A second actor response, specifically displayed by actors with managerial responsibilities, was *resistance*. Job insecurity, and any subsequent job losses, were actively resisted by deploying personal and organizational resources to buffer employees from deinstitutionalization pressures on this practice. Subsidiary actors recognised this response to be at odds with the performance-oriented corporate ethos but nevertheless engaged in it because unchecked deinstitutionalization signalled a complete fracture of personal, in-group ties (underscored with socially sanctioned values of protection, support and respect). For instance, the Corporate Banking Head for BankCo Pakistan highlighted that:

‘...that’s where you have huge geographic discordance... ... in Hong Kong, Tokyo, London, New York... nobody gives a s***... ... (but) there is no social security, no unemployment benefits whatsoever in Pakistan... so here firing is a big deal... but that’s all informal, personal based... I know many cases when we didn’t need someone and that position was possibly going to be eliminated and if that guy was probably in Tokyo or London or New York nobody would have really cared... (but) people here would protect... it’s nothing to do with policy and process... it’s a personal and cultural thing nothing else’. (CB-M-1)

(insert table 4 here)

Discussion

Our paper sought to answer two key research questions: *How, and to what extent, can actors negotiate the interplay of insider and outsider pressures on the deinstitutionalization process?* and *Can this interplay of insider and outsider pressures lead to differential patterns of deinstitutionalization?* Table 4 summarizes the range of often contradictory organizational and socio-institutional pressures acting on four key organizational practices undergoing deinstitutionalization; as well as different organizational actors' distinctive reconciliation of these interacting pressures. Based on our findings we theorize that the *interplay* of these insider and outsider pressures is differentially mediated by micro-political actors, with significant differences in the desire, ability and type of responses between actors with strategic, subsidiary-level responsibilities and those without (see table 4). More importantly, we highlight that the interplay of insider and outsider pressures results in three distinct yet co-existing phases of deinstitutionalization: i) complete deinstitutionalization, ii) partial deinstitutionalization and iii) negotiated deinstitutionalization (see table 4). We contribute to the deinstitutionalization literature by applying the institutional work lens to define these different phases through the underlying individual-level enabling conditions for each phase.

Complete deinstitutionalization

Competitive, differentiated, and performance-based wages was the only employment practice that had undergone a complete process of deinstitutionalization (see table 4). This complete deinstitutionalization was possible because of three key individual-level enabling conditions, which resulted in the compatible interplay of insider and outsider pressures. First, actors exhibited explicit appreciation of the external socio-institutional complexity. They were aware of the logic of performance-based financial rewards subsisting in certain pockets of the external labour market (primarily other foreign MNCs) alongside the logic of socially approved, preferential, and seniority-based compensation. However, it was not in their individual self-interest to manipulate these countervailing logics and strategically manage (even possibly stem) the process of deinstitutionalization. Instead, they acted as consumers of change (Delbridge & Edwards, 2002) by engaging in supplementation and compliance in order to benefit from merit-based rewards (see table 4). Second and related to the first condition, the interaction of insider and outsider pressures for this practice did not generate institutional instability that needed

proactive/strategic actor management (Fligstein, 1997; Beckert, 1999) and therefore deinstitutionalization was endorsed by all subsidiary actors (signified by the two-way arrow in table 4). Third, lower institutional incompatibilities (Jepperson, 1991) between insider and outsider pressures resulted in lower reflexivity with respect to actor negotiation of deinstitutionalization. Therefore, subsidiary management exercised iterative agency by simply ‘reproducing’ persisting social norms such as status markers and supplementing performance-driven wages with extensive employee benefits (Emirbayer & Mische, 1998). Subsidiary workers exercised practical-evaluative agency by making ‘practical and normative judgments’ (Battilana & D’Aunno, 2009: 47) about the efficacy of having a strictly meritocratic rather than preferential approach to compensation. Crucially, both actor responses, and underlying forms of agency, for this phase of deinstitutionalization did not signify strategic institutional work.

Partial deinstitutionalization

Two employment practices (training and internal promotion) signaled partial erosion (signified by the dashed arrow - see table 4). This phase of deinstitutionalization also had distinct individual-level enabling conditions that influenced the interplay of insider and outsider pressures. First, it was a unidirectional process driven by a group of institutional entrepreneurs (Garud et al, 2007; Greenwood & Suddaby, 2006) who saw ‘an opportunity to realize interests that they value highly’ (DiMaggio, 1988: 14). Equally important was the lack of a counteracting response from other actors (i.e. actors with strategic, subsidiary-level responsibilities) who instead acted as consumers of change (Delbridge & Edwards, 2002). Second, it highlighted that actors can halt deinstitutionalization by manipulating the dynamic interplay of insider and outsider influences. For example, from the perspective of managerial actors, immediate subsidiary goals of profitability and expansion (i.e. insider pressures) as well as personal responsibility for subordinates’ development (i.e. socio-normative outsider pressures) both discouraged deinstitutionalization of firm-specific and employer-funded training (see table 4). However, subsidiary workers, instead of adapting to this management-led interruption in the deinstitutionalization process, continued to engage in ‘purposive action’ designed for dealing with institutional disruption even when no practice erosion was occurring (Lawrence & Suddaby, 2006: 215). The syncretization response (see table 4) signals actors’ strategic appreciation of the institutional environment they are embedded in (for example, taking advantage of their enhanced

employability in the external labour market) and high actor reflexivity *even when insider and outsider pressures are not necessarily incompatible* so that they were equipped to deal with any future field-level jolts (Greenwood et al, 2002). Third, actors without managerial responsibilities who were driving this phase of partial deinstitutionalization primarily displayed projective agency, signifying an ‘imaginative engagement with the future’ (Emirbayer & Mische, 1998: 984) and therefore, capitalizing on transferrable skills and high employability status with respect to *future* employment opportunities.

An additional point of interest that emerged from this phase of partial deinstitutionalization was the simultaneous display of multiple types of agency by the same actors. For instance, managerial actors engaged in iterative agency (Emirbayer & Mische, 1998) when supplementing organizational training opportunities with extensive, personal, on-the-job development of their subordinates in line with established social norms of paternalistic attitudes (see table 4). However, there was also an underlying layer of practical-evaluative agency (ibid) whereby well-trained, high-performing teams helped achieve HQ-determined goals and current exigencies at the subsidiary level of analysis. This finding not only responds to the emphasis in institutional work literature on engaging with a ‘broader vision of agency’ (Lawrence et al, 2009:1) but more importantly underlines agency as an evolving and multi-dimensional concept (Battilana & D’Aunno, 2009) whereby actor engagement with the social world is underpinned by a range of simultaneously occurring behaviours.

Negotiated deinstitutionalization

Job security, and underlying notions of organizational welfare, underwent negotiated deinstitutionalization (signified by a two-way arrow – see table 4). The interplay of insider and outsider pressures highlighted specific individual-level enabling conditions for this phase of deinstitutionalization. First, distinctive agentic responses led to a negotiated middle ground. Actors with managerial responsibilities displayed iterative agency (Emirbayer & Mische, 1998) i.e. the recursive, habitual response of protecting in-group members from insider-driven exigencies. However, subsidiary workers primarily exhibited projective agency (ibid) of responding to increased job insecurity by evoking alternative employment opportunities. This concurrent actor emphasis on the past and the future led to an intermediate state of negotiated

practice deinstitutionalization i.e. lower job security alongside a layer of personal and informal protections. Second, negotiated deinstitutionalization emerged when institutionally incompatible insider and outsider pressures interacted (that is, high employment uncertainty versus strong social ties promising mutual support, loyalty, and protection). Against this context of outsider pressures that were likely to generate strong social disapproval, and subsequent field instability, actors engaged in active negotiation of the deinstitutionalization process itself. Third, this negotiation by actors did not lead to the creation of a new institutional order (Jarzabkowski et al, 2009) or signify a complete reversal of the deinstitutionalization process, resulting in the reinstitutionalization of this practice. Instead, the interplay of conflicting insider and outsider pressures allowed actors to actively, and strategically, respond to institutional complexity and pluralism without necessarily engaging in replacement-based institutional work.

Conclusion

Our main objective was to extend the seminal theoretical and empirical work on deinstitutionalization (Oliver, 1992; Ahmadjian & Robinson, 2001; Maguire & Hardy, 2009; Clemente & Roulet, 2015) by undertaking an empirical, micro-institutional examination of the interplay of insider and outsider pressures on practice deinstitutionalization. We built on institutional work scholarship to study this actor-negotiated interplay of different pressures against a backdrop of institutional plurality and complexity.

Our focus on the interplay of insider and outsider pressures contributes to extant scholarship by highlighting convergent yet *co-existing* phases of deinstitutionalization. Existing work on the erosion of organizational practices has already highlighted different stages of deinstitutionalization such as the complete abandonment of practices (Maguire & Hardy, 2009; Ahmadjian & Robinson, 2001; Greve, 1995) versus partial deinstitutionalization (Tolbert & Sine, 1999). However, much of this organizational institutionalism focuses on the field level of analysis and has an underlying assumption of ‘punctuated equilibrium’ - that is, periods of stability, or processes aimed at achieving stability, with only temporary intervals of change and transition (Delbridge & Edwards, 2008: 304). In contrast, our coexisting phases of deinstitutionalization suggest a persistent state of instability. These findings offer a unique insight into the deinstitutionalization process. First, our simultaneous consideration of several

practices highlighted that insider and outsider pressures interacted in novel ways with respect to the erosion of each practice resulting in a differential pace and degree of deinstitutionalization. This can be linked to interpretive schemes and shared meaning/understanding varying for each practice – whereby culturally embedded, ‘cherished’ practices (such as organizational provision of welfare and security) are more likely to be subject to repair and negotiated deinstitutionalization whereas less valued practices (such as non-meritorious, seniority-based wages) are more likely to be initiate compliance and complete erosion (Oliver, 1992).

Second, our study considered a range of actors exercising differential forms of agency when reconciling and manipulating the interplay of insider and outsider pressures. This is in contrast to extant institutional scholarship that has tended to focus on institutional entrepreneurs and powerful actors thereby presenting a rather ‘simplified view of change’ (Delbridge & Edwards, 2008: 304) focused on either actors who advocate change or those who resist it (Delbridge & Edwards, 2002). Our focus on a multiplicity of agentic micro-processes highlighted a much more convoluted picture of change in which several phases of deinstitutionalization coexisted because of different actors’ differential ability to deploy a range of socio-institutional, organizational and individual resources to negotiate insider and outsider pressures.

Third, we studied deinstitutionalization in a context of high institutional complexity whereby insider and outsider pressures both encapsulated contradictory institutional prescriptions. A rational assumption would be that in such a highly uncertain environment there would be higher organizational *and* actor demand for ‘security, stability, and predictability’ (Oliver, 1991: 171). However, the very instability and fragmented nature of the environment can also impede institutional consensus (ibid). This in turn creates room for actors to exercise flexibility, pragmatism and creativity when balancing divergent insider and outsider pressures to engage in negotiation and consensus-building (McPherson & Sauder, 2013) – subsequently enabling the coexistence of different phases of deinstitutionalization.

Taking an actor-centred approach to study the interplay of insider and outsider pressures also forces an examination of the discursive effects of nomenclature on theoretical development. The term deinstitutionalization by default evokes imagery of destruction, conflict, and resistance and

expectations of “heroic” actors (Levy & Sculley, 2007) engaging in disruptive and defensive work (Maguire & Hardy, 2009). However, the institutional work literature, with its focus on the ‘lived experience’ of actors, rejects this traditional fascination with radical, successful change (Lawrence et al, 2011) and chooses to deal with the more mundane ‘coalface’ of quotidian life (Barley, 2008). Our study also highlighted that resistance was a minority response within an array of less grand micro-processes such as compliance, syncretization and supplementation. Such work is compelling because it offers a more expansive approach to agency (Lawrence et al, 2009) by capturing ‘a complex mélange of forms of agency... simultaneously radical and conservative, strategic and emotional, full of compromises’ (Lawrence et al, 2011: 52).

However, why did resistance not emerge as a dominant response given our focus on actor negotiation of conflicting insider and outsider pressures? First, we know from organizational institutionalism literature that highly interconnected and interdependent institutional environments induce compromise and avoidance as the dominant responses (Oliver, 1991). By extension then, the normative value attached to strong, in-group ties between actors and the continued importance of cultural norms like protection, support and respect in our specific socio-institutional context of Pakistan all signify high inter-dependence and subsequently an emphasis on moderation, negotiation and coordination rather than outright resistance. Second, resistance cannot be driven single-handedly by individual actors (Maguire & Hardy, 2009) and requires significant flexing of ‘organizational power, authority and political influence’ (Oliver, 1992: 583) to generate a dominant insider opinion (Clemente & Roulet, 2015) capable of transforming the ‘non-cooperative reactions of other members of the field’ (Hardy & Maguire, 2008: 210). Given strategic manipulation and decision-making by individual actors (as highlighted in our discussion), this game plan of outright defiance and internal campaigning would be a very risky strategy when similar processes of deinstitutionalization are also unfolding in other segments of the external labour market.

Our paper’s emphasis on the interplay of insider and outsider pressures on deinstitutionalization also offered some interesting insights in how and why individual actors exert control on this process of interaction. The findings highlighted that actors mostly tended to favour internal legitimacy (i.e. legitimacy within the MNC) by accepting insider pressures and reconciling them

with external constraints primarily through processes of supplementation and compliance. This can be tied to a range of existing explanations such as pragmatic pursuit of individual self-interest (Bitektine, 2011), currying favour with the HQ to further their own careers (Dörrenbächer & Geppert, 2009), and the dominance effects exerted by foreign MNCs in host locations (Pudelko & Harzing, 2007). However, in those situations where *relational ties* were threatened, external legitimacy (i.e. within the host environment) (Kostova & Zaheer, 1999) and outsider pressures were given precedence over insider pressures such as HQ/corporate approval. For example, paternalistic responsibility for protecting subordinates' jobs was seen as the socially 'right thing to do' even if it meant going against the efficiency logic and lean organizational structures permeated by the HQ. This strategic and planned agency exercised by individual actors in playing off insider and outsider pressures for different practices would have been completely lost if this study had not undertaken an institutional work approach. Our findings represent an interesting counterpoint to some of the extant work on institutional change and entrepreneurship (Greenwood & Suddaby, 2006): actors can sometimes exhibit high embeddedness in their socio-institutional context; for instance, offering status-oriented employee benefits despite insider pressures for a merit-based approach to wages. These actor responses may have had the unintended consequence of controlling the pace of deinstitutionalization (that did not threaten relational and/or moral boundaries) and through *gradual* practice erosion conferring external, socio-normative legitimacy to the deinstitutionalization process.

In conclusion, we acknowledge that our findings and conceptual contribution(s) have emerged against a very distinctive context. However, our conceptualization of the enabling conditions of the different phases of deinstitutionalization are far more relevant for comparable economies from the Global South than the predominantly Western research setting for much of the core institutional scholarship. For in many developing and emerging economies outsider pressures stemming from a rapidly changing institutional environment interact with insider pressures and are likely to lead to a messier, incomplete, and on-going process of deinstitutionalization. It would be interesting to replicate our focus on the interplay of insider and outsider pressures, the coexistence of different phases of deinstitutionalization, and, the emergence of differential actor responses and types of agency across these distinct phases in cross-national studies; especially comparative research between Western versus developing/emerging contexts.

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