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"Event Attention, Environmental Sensemaking, and Change in Institutional Logics: An Inductive Analysis of the Effects of Public Attention to Clinton's Health Care Reform Initiative."

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"Event Attention, Environmental Sensemaking, and Change in Institutional Logics:
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We explore attention to Clinton's health care reform proposal, ongoing debates, and its political demise to develop theory that explains how events create opportunities for cognitive realignment and transformation in institutional logics. Our case analysis illustrates how a bottoms-up process of environmental sensemaking led to the emergence and adoption of a logic of managed care, which provided new organizing principles in the hospitals' organizational field. In addition to theorization, highlighted by prior research, we propose a second mechanism of environmental sensemaking: representation of change through exemplars and environmental features. The interplay between theorization, representation and ongoing event attention can lead to change in institutional logics over an event's life course. We found that the managed care logic did not emerge in a fully-formed fashion, but that actors theorized individual dimensions of the logic consistent with changing representations of hospitals' relationships with other actors in the field. As the event unfolded, the individual dimensions came to be theorized as part of an overall managed care logic. The label "managed care," previously understood as a specific organizational form, took on a new meaning to symbolize the organizing principles for hospitals' relationships with a variety of institutional actors as alternative models not congruent with the changing organizational field were abandoned.

INTRODUCTION

Events play a central role in shaping institutional change (Baron et al. 1986, Hoffman 1999, Fligstein 1991). C*ritical events* are contextually dramatic happenings that focus sustained attention and invite the collective definition and redefinition of social issues (Pride 1995). Despite the prominence of event-centered explanations, prior theoretical and empirical research has not focused on understanding how or why some events can alter existing institutional arrangements and trigger issue redefinitions. Hoffman (1999) and Hoffman and Ocasio (2001) provide an exception, focusing on public attention to events as a precursor to field-level change. This research shows that events are made salient and attract attention when they impact an industry's image and identity. This work fails to explain, however, the mechanisms by which event attention leads to institutional change.

To fill this theoretical and empirical gap, this paper examines the effects of event attention on the emergence and adoption of dominant institutional logics. *Institutional logics* are the socially constructed organizing principles for institutionalized practices in social systems (Friedland and Alford 1991, Thornton and Ocasio 2008). Prior research has shown the powerful effects of institutional logics in shaping or constraining organizational action and outcomes (Rao et al. 2003, Thornton and Ocasio 1999). How institutional logics change, however, is not well understood. We fill the gap by focusing our analysis on emergence and change in *organizational field-level* institutional logics (Thornton and Ocasio 2008, Thornton 2004). We suggest that field-level logics may emerge from context-specific sensemaking processes through which field participants, in attending to events, generate new organizing principles grounded in exemplars of material practices in the organizational field.

To explore how event attention leads to change in field-level institutional logics, we undertake an inductive case study of a critical event that received significant public attention in the hospital field, but which led to no direct legislation or regulatory change—President Clinton's health care reform initiative in 1993-94. Clinton's health-care reform initiative received sustained public attention and triggered issue redefinition both in the hospital field (Ginsburg 2005) and in the public at large (Skocpol 1996), even

though comprehensive health care reform legislation had failed. Our choice to analyze the failed Clinton reform initiative allows us to focus on the cognitive mechanisms by which critical events can lead to change in institutional logics, controlling for the direct effects of events on regulation emphasized by past research (e.g. Baron et al. 1986, Fligstein 1991). We view the cognitive dimension of institutions as analytical distinct from, yet recursively influencing and influenced by normative, regulatory, and economic dimensions. We do not seek to explain the relative effects of cognitive and material forces, as both are consequential, but instead to show how cognitive effects of event attention and sensemaking may directly affect the emergence of new logics.

Drawing on analysis of an unfolding critical event, we combine institutional and sensemaking approaches (Weick et al. 2005, Weick 1995) to develop a process model of how event attention may lead to the transformation of institutional logics. We found that Clinton's health care reform effort led to cognitive realignment and to the emergence and dominance of a managed care logic in the hospitals' organizational field. We contribute new theory by identifying mechanisms that explain how new system-level models of the hospital field emerged out of the health care reform debates, and how these became aligned with changing material practices to constitute a dominant institutional logic.

The remainder of this paper is divided into five parts. Section two describes the theoretical grounding of this paper. Section three describes the data and inductive methods used. Section four presents our case analysis of attention to the Clinton reform initiative in the hospital field. From this case analysis we induce a set of six propositions to explain the process that leads from event attention to changing institutional logics. Finally, section five summarizes the contributions and limitations of this paper.

THEORETICAL GROUNDING

We relied on prior theory on event attention (Hoffman 1999, Hoffman and Ocasio 2001), sensemaking (Weick et al. 2005, Weick 1995) and institutional logics (Friedland and Alford 1991, Thornton and Ocasio 2008), as well as our empirical analysis to develop a process model of how event attention leads to the emergence and adoption of a new field-level institutional logic. Figure 1 presents our theoretical

model. At the heart of the model is the idea that event attention triggers sensemaking not only of the event itself but of salient features and exemplars of the broader organizational field. We extend this view by proposing that environmental sensemaking occurs through two distinct, yet interrelated processes: theorization and representation. Theorization is the elaboration of abstract models of organizing structures and practices in the organizational field. Representation is the use of specific exemplars or attention to specific field features to illustrate structures and practices in the organizational field. We propose that a new logic emerges through the interplay between ongoing event attention, theorization and representation over the event life course. We propose that as event attention leads to new forms of representation of the environment, new forms of theorization emerge, and as these new forms of theorization and representation become aligned with newly emergent field-level practices, they develop into a dominant institutional logic.

----------INSERT FIGURE 1 ABOUT HERE----------

Events and Public Attention

Events have duration and history and are best understood, not as instantaneous occurrences or happenstances, but as a sequence of overlapping activities and processes that occur over time (cf. Abbott 1992, Isabella 1990). President Clinton's health care reform initiative was such an event, involving public announcements, press conferences, legislative hearings, the production of legal and policy documents, editorials, and op-ed pieces producing a myriad of artifacts and communications with potential relevance to the U.S. hospital field. To account for event duration in our model, Figure 1 shows the event life course as it unfolds over time. The Clinton reform event life course began with Clinton's election in November 1992 and ended with the retrospective debates and diagnoses that followed the failure of political reform in September 1994.

Past research on events shows that their direct effects on institutional change are shaped by the level of public attention they receive in industries and organizational fields (Hoffman 1999). *Public attention* is defined as the coverage social issues receive within public arenas or organized channels of

communication (Hilgartner and Bosk 1988). As shown by Hoffman and Ocasio (2001) events vary in the level of attention they receive by institutional actors and their ability to shape actors' awareness and understanding. Event attention can shape actors' cognitive beliefs by providing opportunities for sensemaking (Weick et al. 2005, Weick 1995) of both the event itself, and of the broader field. Ongoing event attention can lead to changes in sensemaking over the event life course. Note that public attention within an industry or field differs from public attention in society-at-large.

Organizational Field-Level Institutional Logics

We focus our analysis on emergence and change in *organizational field-level* institutional logics. Friedland and Alford (1991) viewed institutional logics as the organizing principles for major institutionalized societal sectors, such as the family, the market, religion, and the professions. In a recent review, Thornton and Ocasio (2008) suggested that institutional logics may develop at a variety of different levels, for example organizations, markets, industries, inter-organizational networks, geographic communities, and organizational fields. Here we focus on the institutional logics that provide the organizing principle for institutionalized practices in the hospital's organizational field (cf. Fligstein and Mara-Drita 1996). We conceptualize the hospital organizational field as an industry system (Hirsch 1972) that includes the set of identifiable and interacting organizations and actors engaged in the process of financing, delivering and regulating hospital services. Note that the hospitals' organizational field is only part of the broader health care sector, which includes other organizational fields for pharmaceuticals, medical devices, and other health care providers, suppliers, and intermediaries.

Field-level logics are distinct from the institutional logics guiding competing organizational forms in a population or industry (Rao et al. 2003, Haveman and Rao 1997, Greenwood and Suddaby 2006, Lounsbury 2007). As the organizing principles for action and interaction, field-level logics define the relationship between institutional actors, as well as an overarching model for governance practices in the field. Building on the insight that institutions are made up of institutional logics, institutional actors, and governance structures (McAdam and Scott 2005), we propose that field- level logics guide competition,

cooperation and coordination between diverse institutional actors. Furthermore, as suggested by past research on institutional change, change in field-level logics can redefine relationships between institutional actors in the absence of new organizational forms (Hoffman 1999, Leblibiciet al. 1991, Fligstein and Mara-Drita 1996).

While field-level logics are grounded in and appeal to societal-level logics, they are distinct (Zilber 2006). We suggest that field-level logics result from context specific sensemaking processes by field participants, who generate a set of cultural beliefs and values that articulate their understandings of prevailing material practices. For example, the long-dominant logics of physician authority was grounded in societal-level logic of the professions (Abbott 1991, Freidson 1970) and reflected the particular way the profession of medicine came to dominate other professions and organizations in the hospital's organizational field. The field-level logic of managed care was a hybrid logic, merging societal-level logics of the market, bureaucracy, and to a lesser extent, the profession.

Environmental Sensemaking

Sensemaking is as a process by which actors identify or bracket "events" amidst an ongoing flow of experience, assign meaning to an event, and draw on that meaning to define an appropriate course of action (Weick et al. 2005, Weick 1995). Sensemaking focuses on two questions (Weick et al. 2005). Asking "what's the story here?" helps bracket an event and call it into existence. This question focuses on the role of sensemaking processes in shaping event attention (Hoffman and Ocasio 2001). Asking "now what should I do?" brings meaning to an event that can enable future action. In focusing on the meaning of events, and how meaning shapes and constrains actions in response to events, this second question addresses the effects of event attention. Though meaning is at the heart of both sensemaking and institutional perspectives, limited theory and research has linked sensemaking to institutional analysis (Weick et al. 2005, Weber and Glynn 2006).

We propose that public attention to events can trigger processes of environmental sensemaking in which actors make sense not only of the event itself, but of the broader organizational field. While actors

persistently engaged in some form of environmental sensemaking, they are selective in their attention to and sensemaking of specific aspects of a broader field (Ocasio 1997). This selective attention to aspects of the environment made salient by the event led over time to theorization of a new institutional logic. Integrating sensemaking and institutional perspectives, we propose that new institutional logics emerge through processes of environmental sensemaking, triggered and shaped by ongoing event attention. Extending prior research that focuses on theorization of new institutional arrangements (Rao, Monin, Durand 2003, Strang, Meyer 1993, Greenwood, Suddaby, Hinings 2002, Maguire, Hardy, Lawrence 2004), we further propose that new logics are consolidated through the interplay between ongoing event attention and two distinct forms of environmental sensemaking: theorization and representation.

Strang and Meyer (1993) define theorization as the creation of abstract models for understanding a field or set of activities. Subsequent research depicts theorization as a process by which deviations from dominant institutional arrangements are elaborated, and made available in a more abstract form. This abstraction facilitates the diffusion of new organizational forms and practices (Greenwood et al. 2002, Maguire et al. 2004). Theorization of a field-level logic involves the elaboration of an abstract model defining roles of and relationships between institutional actors and the governance structures in which they operate Theorization specifies how governance structures and institutional roles are defined and elaborates rationales explaining why institutional actors inter-relate in particular ways. Theorization specifies an abstract and general model defining relations between institutional actors and elaborates rationales guiding those relationships. This general model serves as a template guiding specific actors in their efforts to define their roles and interrelationships.

Prior research has focused on understanding the conditions under which it is possible or likely for embedded agents to theorize new institutional logics. This research demonstrates that actors are more likely to engage in critical reflection when institutional contradictions lead to the erosion or deinstitutionalization of existing logics (Seo and Creed 2002). While specifying that theorization draws on the use of cultural toolkits and repertoires (Swidler 1986), prior research stops short of detailing

mechanisms by which new logics are theorized.

Our analysis identifying mechanisms of theorization builds on recent work linking institutional logics with vocabularies. Institutional logics reflect cognitive, normative, and material forces (Thornton and Ocasio 2008) and are embodied in vocabularies and communication (Loewenstein and Ocasio 2008, Jones and Livne-Tarandach 2008, Ocasio and Joseph 2005). Both the prevalence of specific words, phrases or signs, and their use to denote specific meanings can serve as indicators of societal and field-level institutional logics (Zilber 2006). We extend prior research by linking the process of theorization to sensemaking, and by showing how cognitive realignments resulting from sensemaking result in changing vocabularies, meanings, and institutional logics.

Early on in our research we uncovered the importance of representation in environmental sensemaking, as distinct from theorization. In attending to and making sense of the Clinton health care reform debate, we found that field participants relied on concrete representations of exemplars within the hospital field—such as the Kaiser Foundation, Henry Ford Health System, Intermountain Health System, and local healthcare markets in San Francisco, Boston and Minneapolis— to understand the potential impacts of political reform proposals, and to make sense of ongoing changes in how hospital related to other institutional actors. In addition to exemplars, they drew on specific features of the organizational field, such as the growth of health maintenance and managed care organizations, emergence of clinical practice guidelines, or integration among hospitals. While theorization elaborates abstract models of relations between institutional actors in a field, we found that representation focuses attention on specific features of the environment and concrete examples of institutional actors inter-relating in novel ways. It elaborates local, context-dependent rationales to explain their novelty. The use of these specific exemplars and features in environmental sensemaking is consistent with the idea that sensemaking is focused on and by extracted cues from the environment (Weick et al. 2005, Weick 1995).

This focus on representation has not been considered in prior literature on change in institutional logics. We propose that a focus on environmental sensemaking—involving a recursive relationship

between theorization and representation over an event's life course—provides a more complete account of the emergence and consolidation of new institutional logics than prior theory, which focuses exclusively on processes of theorization (Greenwood and Suddaby 2006, Greenwood et al. 2002). Representation—attention to specific cues or features in the governance structures and practices prevalent in an organizational field—can form a basis for more abstract theorization that is distinct from previously theorized logics. Drawing on Henry James, Weick identifies two related "points of reasoning" by which attention to extracted cues leads to more abstract theorization. First, he notes that extracted cues drawn from a broader context are taken to represent that broader context. Second, he notes that extracted cues highlight particular implications, properties or consequences more obviously than the attempt to attend to and interpret the environment as a whole (Weick 1995: 49-50). In so doing, the use of extracted cues is a mechanism by which social actors can develop simplified, abstract models of a more complicated environment.

Our model of evolving theorization from exemplars has similarities with Hannan, Polos, and Carroll's (2007) model of categorization of organizational forms, in which audiences develop abstract schemata from exemplars of organizational categories. Our model differs, however, in an important way. For Hannan et al, categories have strict boundaries and crisp and stable definitions. Changes in exemplars have no further effect once a schemata is formed. In our model theorization and institutional logics evolve over time and are directly shaped by the use of new exemplars in environmental sensemaking.

The relationship between theorization and representation is recursive and evolves through ongoing event attention. Although attention to concrete cues and exemplars forms a basis for developing more abstract theories, previously theorized models direct attention to selected environmental cues. As guides to sensemaking, previously theorized models influence processes of representation, with social actors focusing attention on cues in the environment that are extreme exemplars or deviants from previously theorized models. Theorized models also elaborate rationales for change in specific environmental features and novel inter-relationships between institutional actors.

As indicated by our process model, attention to events influence environmental sensemaking though event salience. Given our conceptualization of events as sequences of activities and processes that unfold over time, not all aspects of events are attended to, nor influence environmental sensemaking. The salience of the event and of specific event features to field participants directly influences sensemaking (Weick 1995). Salience is driven by prior knowledge and expectations, goal relevance, novelty, and distinctiveness (Fiske 1991). The salience of specific features and occurrences over the event life course generates a *bottoms-up* influence on environmental sensemaking, where features of the event have direct influence on how environments are first represented, and subsequently theorized.

As our model indicates, event attention and environmental sensemaking unfold over time. We identify three stages of event attention and sensemaking: anticipation, deliberation, and retrospection. Clinton's election as President in November 1992 triggered a period of *anticipation*, in which institutional actors attended to reform by anticipating significant health care reform legislation, which was highly salient for actors in the hospital field. The public unveiling of Clinton's plan in September 1993 began a period of *deliberation* in which actors attended to and engaged in discussions of the merits and drawbacks of the Clinton plan and other health care reform alternatives, all of which affected the hospitals' organizational field. Finally, the failure of Clinton's reform plan in September 1994 triggered a period of *retrospection*, in which actors attended to and made sense of how the failed political reform effort would affect the hospital field and its environment.

DATA AND ANALYSIS

Given our theoretical interests in the effects of event attention, we examined trade journal articles that focused on a specific event over a relatively short duration. This allowed us to more clearly separate the effects of event attention from other changes in governance structures that had unfolded over a longer time period (Scott et al. 2000). Our focus is also consistent with prior health care research that found that the Clinton reform effort was important in triggering a shift to managed care (Ginsburg 2005, Shortell 1996, Stevens 2000). The failure of Clinton's comprehensive reform legislation combined with the

event's importance made the Clinton effort a promising case for identifying the mechanisms by which event attention triggers change in institutional logics.

Our theoretical interests also shaped our choice to analyze articles that attend to health care reform. Prior research has already demonstrated both the role of events in triggering institutional transformation (Baron et al. 1986, Fligstein 1991, Hoffman and Ocasio 2001) and the impact of attention to the Clinton reform effort on transformation in the U.S. health care system. Our interest therefore is not to test whether the reform event led to a change in institutional logics but to identify the causal mechanisms by which these effects occurred. Though analysis of all articles from a trade journal would lend itself to a more general study of how the effects of event attention compare to those of other determinants of institutional change, examining only articles that attend to reform lends itself to a more in-depth analysis of the cognitive mechanisms by which ongoing event attention can lead to changes in logics. Our focus on depth rather than breadth of analysis is consistent with our objective of explaining causal mechanisms rather than testing for causal effects (Bennett and Elman 2006).

Guided by our theoretical interest in the effects of event attention, our research draws on inductive qualitative text analysis of trade journal articles that discuss health care reform in the hospitals field. We analyze articles from *Hospitals and Health Networks (HHN),* the only trade journal exclusively targeted at executives in the hospital field and an official journal published by the American Hospital Association (AHA), the major trade group representing U.S. hospitals. As the primary trade association representing hospitals, the AHA includes constituency sections representing subgroups within the hospital field, including rural hospitals, metropolitan hospitals, psychiatric hospitals, and health systems. The *HHN* journal included interviews of representatives of AHA constituency sections and articles discussing the specific interests and concerns of these constituency groups. As a central venue for healthcare delivery, several major institutional actors participate in the hospital field, including physicians, nurses, employers, and health insurers, in addition to hospitals themselves. Though *HHN* clearly reflects the interests and perspective of the AHA and of hospitals, it also makes an explicit effort to represent the perspectives of

major institutional actors that participate in the field. The other trade journal covering the hospital field, *Modern Healthcare*, was targeted broadly at managers in the health care sector—including in other fields such as pharmaceuticals, nursing homes, and devise manufacturers. It does not represent the unique interests and perspectives of hospitals, and is therefore less relevant for our analysis.

While our ordinal coding and analysis focused on articles in *HHN*, our findings draw on analysis of two additional sources. Analysis of editorials, health policy reports and special reports in the *New England Journal of Medicine* gave us a broad perspective on the health care system, and insight into the perspective of the medical profession. Analysis of articles discussing "reform" in *Health Affairs* gave us insight into the political debates surrounding reform.

We draw on both narrative and content analysis. Narrative analysis allows us to identify significant turning points and changes over the event life course that may have shaped the emergence of a new logic. Content analysis, involving formal coding of our texts to count the prevalence of specific topics and phrases, complements our narrative approach by providing systematic rigor that allows us to confirm or disconfirm propositions and insights developed through our narrative analysis (Langley 1999, Mahoney 1999). Our data analysis involved three major phases of coding and analysis.

Initial Coding and Construction of Event Narrative

The first phase involved coding and analysis of articles that explicitly discussed *Clinton's* effort to reform the health care system. We examined 205 articles that appeared between 1992, the year Clinton was elected as president, through 1995 a full year after the failure of Clinton's reform proposal. We began the first phase of our analysis with open coding of all 205 articles to understand the themes and issues raised in the texts, and to get a sense of the narrative of the healthcare reform initiative. Through this open coding, we identified major turning points that helped define shifts in environmental sensemaking over the event life course, dividing our analysis into the three time periods highlighted above, as well as a *baseline* period covering attention to health care reform prior to Clinton's election. Based on our open coding of the 205 articles and analysis of articles by time period, we developed a more

formal coding framework that we used to code all articles in the first phase. This initial coding framework consisted of 10 codes grouped into three broad categories: (1) Evidence of changing features in healthcare markets (2) the use of specific organizational or market exemplars to illustrate environmental change (e.g. the Kaiser Permanente health system of Minneapolis, MN health care market), and (3) evidence of changing use language and new conceptual frameworks for understanding the hospitals' organizational field.

Expanded Data Source and Development of Preliminary Theoretical Model

Building on this initial phase, we expanded the time frame and article base for our study and further elaborated on the initial coding framework. We expanded the base of articles because our initial round of analysis highlighted that specific discussions of Clinton's health care reform effort were part of a broader discussion of the prospects and need for reform of the health care system. Rather than including only articles that explicitly referred to Clinton's effort to reform the health care system, our second round analyzed all articles that used the word "reform" to refer to efforts to transform the national health care system. We excluded short news brief articles with no defined author, as well as articles focused on tort reform, Medicare reform, and reform of medical education unless they also referred to efforts to reform the broader health care system. We analyzed 399 articles between 1991 and 1995.

The initial coding led us to distinguish between two forms of sensemaking theorized above. Guided by this emergent theoretical focus on the processes of theorization and representation, we reanalyzed our texts in the effort to further develop and elaborate on our content analysis. In particular, we expanded our coding framework to more explicitly examine changing meanings associated with the phrases "reform" and "managed care", and changing uses of organizational and market exemplars, and used our revised coding framework to recode all of our texts.

Theoretically Grounded Narrative Analysis

This expanded formal coding of our texts then formed a basis for a narrative analysis of change in environmental sensemaking and institutional logics over the event life course. We grouped the 29 codes

in our final coding framework into theoretical constructs reflecting the two main sensemaking processes of theorization and representation in our model, their inter-relationships, and the emergence of an institutional logic of managed care. We integrated our formal coding into a narrative account of how attention to the debates surrounding the event and ongoing processes of theorization and representation triggered led over time to a shift towards a logic of managed care. The theoretical constructs and associated codes include:

Policy-driven theorization – Seven codes indicate theorization that was driven by policy debates surrounding health care reform. Three codes indicate the use of the word "reform" to refer to public policy debates by (1) discussing the emergence of "reform" as a public policy issue, (2) describing "reform" as a political or legislative corrective to systemic breakdown, and (3) indicating a political reform model or legislative proposal for transforming the health care system. Four codes indicate attention to political reform models theorized in communities of policy elites. These political reform models include (1) the "single payer" model which would create a single, government financed system, (2) the "pay or play" model that formed the basis for Clinton's health care reform proposal in the presidential election, (3) the "community care" plan proposed by the American Hospital Association, and (4) the "managed competition" model that informed both Clinton's reform legislation and an alternative plan developed by a coalition of moderate Democrats and Republicans.

Policy- & theorization-driven representation – We include two codes indicating that representation of environmental features and exemplars was driven by the policy debates surrounding health care reform. The first code indicates the use of the phrase "managed care" to refer to a component of a political reform model or legislative proposal. The second identifies articles that assess the congruence between organizational and market exemplars and political reform models or legislative proposals.

Representation of changing market features – Seven codes indicate representation of changing market features that were related to and made salient by the event. We code articles that discuss change in market features including: (1) growth in health maintenance organizations (HMOs) or managed care, (2)

growing integration among hospitals, (3) change in physician authority, and (4) a growing emphasis on primary care. A fifth code indicates the use of the phrase "managed care," reflecting attention to "managed care" as a concept. The sixth code identifies articles that use the label "managed care" to refer to an organization, contract or health plan, reflecting its conceptualization as an organizational form, and not as an organizing principle for the field as a whole. The seventh code identifies articles that use organizational or market exemplars to illustrate features of the broader environment.

Representation-driven theorization – We include six codes indicating the use of organizational and market exemplars as a basis for theorizing roles of and relations between institutional actors. This includes the use of exemplars to illustrate (1) relations among hospitals, (2) relations between hospitals and insurers, (3) relations between hospitals and employers, (4) relations between hospitals and physicians, (5) changing local market structures, and (6) change in the hospital organizational form.

Theorization of a logic of "managed care" – We identified four codes that serve as indicators of an emergent logic of managed care, distinct from "managed care" as an organizational form. Two codes reflect new uses of the phrase "managed care." We code articles that use the phrase "managed care" to refer to the environment as a whole, rather than a specific organization. In addition, we code articles that use "managed care" to indicate the principle locus of health system change. A third code reflects the emergent use of the word "reform" to describe market-driven changes in the health system. The fourth code indicates theorization of environmental change. This includes articles that discuss both the growth in managed care in the context of systemic transformation in the health care system and the emergence of new conceptual frameworks for characterizing either the system as a whole or relations between institutional actors. Taken together, we propose that these four codes represent distinct dimensions of an emergent logic of managed care. In addition to coding our articles for each of these four dimensions of a managed care logic, we also identified articles that included 1, 2, 3 or all 4 codes to assess whether articles increasingly theorized multiple dimensions of new logics over the event life course.

Managed care logic-driven representation – We included one code indicating that a managed care logic

can inform processes of representation by identifying articles that assessed the congruence between specific exemplars and a "managed care" environment or "managed care" as a locus of change.

The first author coded all 399 articles based on the coding framework described above.[1] Both authors coded a 10% sample of 40 articles to validate the reliability of the coding framework. Cohen' kappa for the sample across all codes in our analysis was 0.846, which is above the .80 threshold indicating excellent agreement beyond chance. Cohen's kappa for individual codes were all above 0.73 indicating good agreement by chance and above the threshold of 0.70 suggested for content analysis (Neuendorf 2002, Krippendorff 2004). Content analysis based on this final coding framework, combined with narrative analysis of our texts, helped us develop our theoretical model of the process by which event attention and related environmental sensemaking can lead to changes in institutional logics.

CASE ANALYSIS

The Context for Political Reform: Contradictions in Institutional Logics

The logic of physician authority had established the authority and control of the medical profession over the hospital field since early in the 20th Century (Freidson 1970, Starr 1982). Grounded in a societal-level professional logic, physician authority served as the defining principle governing the roles of and relations between institutional actors participating in the hospital field. Hospitals competed to attract physician referrals, while purchasers played the role of passive financiers, giving physicians' strong authority over clinical decisions that drove resource use (Freidson 1970, Scott et al. 2000, Stevens 2000, Starr 1982). The central features of the hospital field under the logic of physician authority are presented in Table 1. The logic of physician authority is contrasted here with managed competition policy model and the logic of managed care.

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A series of disruptive events undermined the logic of professional authority in the decade prior to the Clinton reform event. The federal Medicare program, the largest purchaser of health services in the

United States, implemented the Prospective Payment System (PPS) in 1983 in an effort to contain costs (Fetter et al. 1991). This regulatory shift undermined the logic of physician authority by pressuring hospital administrators to play a more active role in monitoring clinical care. In addition, new regulations expanded enrollment in health maintenance organizations (HMOs) by Medicare and Medicaid patients (Scott et al. 2000, Fennell and Alexander 1993). HMOs used utilization review and other medical management tools to limit physician autonomy, though physicians and patients were still guided by beliefs that physician judgment should determine medical treatment.

The combination of regulatory changes and growth in HMO enrollment introduced cost effectiveness and efficiency as significant normative goals and commitments in the hospital field, contributing to the deinstitutionalization of the logic of professional authority (Scott et al. 2000). Deinstitutionalization, however, did not immediately lead to the consolidation of a new logic as an alternative. Instead, internal contradictions between professional, community, market, state, and bureaucratic logics intensified as new practices, norms and commitments collided with persistent features of the logic of professional authority (Seo and Creed 2002). For example, while hospital administrators adopted more aggressive cost-control measures, physicians still had authority over clinical decisions that were the most significant driver of hospital costs, limiting administrators' effectiveness (Geist-Martin and Hardesty 1992). While prospective payment reduced Medicare expenditures, neither prospective payment nor HMO enrollments reduced the overall growth in health care costs (Mayes 2006, Levit et al. 1994). It was in this context of contradictory institutional logics with increased regulatory pressures combined with increasing health care costs that the Clinton reform initiative took place.

Content and Narrative Analysis: The Emergence of a Logic of Managed Care

We observe a remarkable shift in sensemaking between the baseline period prior to Clinton's election and the retrospection period after the failure of comprehensive reform legislation. In the baseline period, representatives of hospitals, physicians, insurers, and business, expressed the belief that political reform

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[1] See the online supplement for additional description of our coding framework illustrated with examples from our

was needed to address systemic breakdown in the health care sector. By the retrospection period, the consensus among these same actors stated that market-driven reforms and the corresponding ascendance of a managed care system had addressed many of the systemic problems that motivated political reform proposals. We find that as the event unfolded through the period of retrospection, our texts increasingly came to describe an organizational field that was defined by the logic of managed care. While the form of pre-paid group practice existed since the 1920s, and was associated with the label "managed care" since the 1980s (Scott et al. 2000, Starr 1982), the use of "managed care" as a field-level organizing principle that defines relations between institutional actors was new. Our analysis follows policy debates about health care reform and the evolving sensemaking within the hospital field over the event life course to explain the emergence of the managed care logic.

Table 2 presents the results of our content analysis, based on our formal coding framework. Our content analysis reveals important changes in both theorization and representation over the event life course. In comparing the baseline period with the retrospection period after the failure of political reform, Table 2 highlights both a significant decline in policy-driven theorization, and a corresponding rise in theorization of a managed care logic. We observe a decline in attention to three major policy models for reform: the AHA's "community care network" plan for health system reform, the "pay or play" model that formed the bases for Clinton's reform proposal as a presidential candidate, and the "managed competition" that informed President Clinton's reform proposals after his election. Uses of the word "reform" indicating policy-driven theorization also declined significantly.

---------- INSERT TABLE 2 ABOUT HERE ----------

The decline in policy-driven theorization was accompanied by an increase in theorization of a logic of managed care. As highlighted in our methods section, we identified and systematically coded four indicators of a managed care logic. In contrast to the early use of the word "reform" to refer to political models or systemic breakdown, we observe the emergent use of "reform" to refer to market-driven

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texts.

changes in the health care system, reflecting the increased importance of societal level market and corporate logics. In addition, we also see increasing use of the phrase "managed care" to refer to the principle locus of system change, and to characterize the organizational field as a whole, rather than a specific organizational form. Finally, we see increased theorization of new conceptual frameworks for understanding the field as a whole and the roles and relationships between institutional actors.

Table 2 indicates whether the trade journal articles references at least 1, 2, 3 or all four of our indicators of a managed care logic. Of the four indicators of a managed care logic, only two were experienced in the baseline period, with 9% of the articles using at least one indicator. By the retrospection period, all four indicators had increased significantly with 65% of the articles referring to one or more of the indicators and 31% two or more. As we discuss further below, this noticeable increase in theorization of managed care occurred by accretion, as journal articles both increased their use of each of the four indicators, plus increased the combination of their use.

In addition to change in theorization, we also observe change in representation. We observe increased discussion of growth in two environmental features that were linked with the event: (1) the growth in HMOs/Managed care, and (2) integration among hospitals. We see an increase in the proportion of articles that use the phrase "managed care" from 39% to 71%, suggesting the growing prominence of the concept. In addition, we see an increase in articles that use the phrase "managed care" to describe an organizational form, from 19% to 38%, further highlighting the growing prominence of managed care organizations as an environmental feature.

Consistent with the decline in policy-driven theorizing, and the emergence of a managed care logic, we observe a decline in representation driven by the event, and an increase in representation driven by the logic of managed care. In the baseline period, 20% of all articles discussed the congruence between specific exemplars and political models for reform. This declines to just 2% in the retrospection period. In contrast, 2% of articles assessed the congruence between specific exemplars and a managed care logic in the baseline period, while 21% do so in the retrospection period.

Finally, we find evidence of representation, through the growing use of exemplars, as a basis for theorizing changing roles of and relations between institutional actors in the hospital field. We see a significant increase in articles that use exemplars to theorize change in the hospital organizational form and change in local market structures. The latter is particularly important in that it defines the relationships between diverse institutional actors participating in the hospitals' organizational field, the focus of our analysis. While there is an increase in the percentage of articles that theorize changing relations between hospitals and both employers and insurers, this increase is not statistically significant.

Taken together, the results presented in Table 2 demonstrate a shift in both theorization and representation over the course of the event, with our texts increasingly attending to growth in managed care organizations and integration among hospitals, and theorizing a logic of managed care. The increased prominence of articles assessing the congruence between specific exemplars and a managed care logic attests to the emerging dominance of a managed care logic. We integrate our content analysis documenting the emerging dominance of a managed care logic with a narrative analysis of environmental sensemaking over the course of the reform event to identify theoretical mechanisms that explain how event attention and environmental sensemaking processes of representation and theorization can lead to the adoption of a new, dominant institutional logic.

Baseline Period (January 1991-November 1992)

The twenty-two months prior to Clinton's reform effort were characterized by discussion of systemic breakdown in the hospital field and ferment in the development of political reform proposals. Harris Wofford's surprise election to the U.S. Senate from Pennsylvania in 1991—with health care reform as the main campaign issue—was widely interpreted to suggest that health care reform was an important concern among national voters. As the presidential campaign unfolded, health care reform emerged as an increasingly important political issue. Politicians, including Bill Clinton, as well as numerous professional, business, and industry associations also developed their own proposals for comprehensive health care reform (Blendon et al. 1992, Skocpol 1995).

Environmental Sensemaking. Event attention in the baseline period focused on policy debates surrounding prospects for political reform. This is reflected in the frequency of use of the word "reform" to refer to political proposals or models in the baseline period. In contrast to later periods, 57% of articles in the baseline period used the word "reform" to refer to a specific political proposal. In addition, 37% of the articles posited that political reform would serve as a corrective to systemic breakdown in the field.

In positing the need for reform legislation, event attention and sensemaking focused on theorization of alternatives to the existing system developed by organized interest groups and in communities of policy elites, made up of legislative leaders, senior legislative staff, think tank researchers, and policy oriented academics (Kingdon 1990, Burstein 1991, Campbell 2002). Two policy models were particularly important in the baseline period. Candidate Bill Clinton advocated for a "pay or play" model for health system reform towards the beginning of his candidacy, shifting towards an emphasis on "managed competition" models in the summer of 1992 (Skocpol 1995, Reinhardt 1991). The AHA's "community care networks" model, which centered on community-based health systems that integrated acute and outpatient care (American Hospital Association 1993), was the second important policy proposal. The importance of both the "pay or play" model and the AHA's "community care networks" model to sensemaking in the hospital field in this period is reflected in our texts, with 19% of all articles attending to each policy model. Managed competition, which came to inform Clinton's approach to health care reform in the months immediately prior to the election received more limited attention, in just 4% of the articles. Overall, the importance of policy models is reflected in 33% of articles in the baseline.

As highlighted in Table 2, we also find evidence of representation of environmental features and specific exemplars that were made salient through political reform debates. The importance of policy models in guiding attention to selected environmental features or exemplars is reflected in our formal coding, with 20% of all articles and 50% of articles that use specific exemplars highlighting their congruence with political models for health care reform. Specific exemplars were used to both illustrate broader systemic problems and as an empirical reference point in discussing political reform models. For

example, one article, citing a state Senator, discusses the difficulties in establishing a joint organ transplant program across three hospitals in Portland to illustrate broader systemic problems:

> "Transplants offer only the most visible example of a much larger and far more insidious problem permeating our health care system nationwide: the perverse set of incentives that leads health care providers to act as isolated economic entities focused only on their own financial well-being instead of viewing themselves as a community of resources whose primary role is—or certainly should be—to promote the health of the nation" (August 1992).

The article goes on to compare the Portland collaboration with the AHA's community care networks health reform plan.

Anticipation Period (November 1992-September 1993)

Clinton's election in November 1992, and his convening of the Task Force on National Health Care Reform, headed by Hillary Clinton, ushered in a period of *anticipation* in the hospital field. A consensus emerged among institutional actors that Clinton's reform legislation would be based on the "managed competition" model. While embracing managed competition, the President did not release specific features of his reform plan. Instead, the presidential task force met in private, in consultation with representatives of organized interest groups, to develop reform legislation.

The managed competition model was also a basis for one of the major policy alternatives to Clinton's plan. This alternative proposal, which did not mandate universal health insurance, was supported by the Conservative Democrat Forum, with additional support from some moderate Republicans (Skocpol 1995, Grossman 1994). A single payer model, which would do away with the system of private insurance and make the government the sole purchaser of health insurance, offered a second alternative to the plan being developed in the presidential task force.

Environmental Sensemaking. Given the unique power of the President to both set the public policy agenda and to define the initial terms of debate (Kingdon 1990, Campbell 2002), President Clinton's embrace of the managed competition model, combined with the absence of a more specific proposal, focused attention and environmental sensemaking on managed competition during the anticipation period. The President's support of managed competition combined with perceived political and public support for

health care reform increased the perceived likelihood by actors in the hospitals' organizational field that political reform would take place.

Anticipation of political reform legislation is reflected in the reduced attention to the need for reform to correct systemic breakdown. This use of the word reform declined in prominence from 37% in the baseline period to 10% in the anticipation period. Given this anticipation of managed competition, the use of the keyword "managed competition" increased to 28% of all articles in the anticipation period, compared with only 4% in the baseline period. Overall, 36% of all articles discuss some policy model for reform. Anticipation of managed competition is also reflected qualitatively in our texts, with actors in the hospital field expressing a high degree of certainty in their belief that some form of managed competition reforms would pass. For example:

> "There is no question that some form of managed competition will pass….The debate is now bracketed by the Conservative Democrat Forum proposal and the Clinton campaign's plan." (Quotation by insurance executive turned consultant, February 1993).

This embrace of managed competition as the model that would most likely define the health care system was reflected by other institutional actors. The AHA, while continuing to advocate for their "community care networks" reform proposal through editorials by AHA President Dick Davidson and other AHA representatives, increasingly compared the community care networks model with managed competition and the President's plan for health care reform.

Anticipation of major reform legislation, combined with the emerging prominence of the managed competition model, was accompanied by a decoupling of the word "reform" from specific political proposals. While 57% of articles used the word "reform" to refer to a specific theorized model or legislative proposal in the baseline period, this declined to 40% in the period of anticipation. This decrease can reflect either a declining focus on reform as a political process, or an implicit assumption that reform would be grounded in a managed competition model.

As theorized alternatives to the current health care system, managed competition and other political models guided processes of representation of environmental features and exemplars. The impact of

theorized policy models in guiding attention to the concept of "managed care" is reflected in our coding, with 10% of all articles, and 24% of articles that use the phrase "managed care" highlighting its congruence with "managed competition" and other political models for reform. Similarly, 19% of all articles, and 38% of articles that use organizational or market exemplars highlight their congruence with political models.

While previously theorized policy models focus attention on congruent environmental cues, attention to features and exemplars is also shaped by ongoing evolution and change in health care markets. Discussions of features and exemplars in our texts focus broadly on environmental change, and point to both market evolution and prospects for political reform as causes of environmental change:

> "Around the country, we are beginning to see hospital and physician groups forming relationships that cross ownership and religious boundaries in response to local managed care pressures, state health care reform initiatives, and the impending national health care reform legislations" (Quotation by academic expert, August 1993).

Consistent with the idea that both political reform models and ongoing market evolution were important drivers of change in the organizational field, representation in the anticipation period focused on environmental features that were congruent with both the managed competition model and ongoing change in health care markets, including the growth in HMOs/managed care, integration among hospitals, and a growing emphasis on primary care.

Overall, environmental sensemaking in the anticipation period highlights the important role of sensegiving. President Clinton had the ability to focus attention to the issue of health system reform, and define the initial terms of the policy debate. Given a favorable political context, this ushered in widespread anticipation of reforms based on a managed competition model. President Clinton's sensegiving efforts were reflected in both the increased prominence of managed competition in guiding theorization, and in representation of environmental features and exemplars that were congruent with Clinton's public embrace of reform grounded on a managed competition model. Consequently:

Proposition 1: In periods of event anticipation, sensegiving by prominent institutional actors shapes environmental sensemaking through the utilization of previously theorized institutional models.

Deliberation Period (October 1993 – September 1994)

In September 1993, President Clinton outlined his principles for health care reform in a speech before Congress, triggering a period of *deliberation*. He followed by presenting his legislation for health care reform to Congress in November 1993. The legislation departs from a pure model of managed competition and is framed by its opponents as government-run health care (Enthoven and Singer 1994, Blendon et al. 1995). Republicans, who had initially favored reform, shifted their strategy to oppose all reform efforts. Other institutional actors who initially adopted a stance of constructive engagement came to publicly oppose health care reform. In particular, the Health Insurance Association of America (HIAA), an industry association representing small and medium sized health insurers, financed the "Harry and Louise" ad campaign between September 1993 and September 1994 opposing the Clinton plan. The ads criticized the Clinton plan for its complexity and for forcing patients into managed care organizations. The insurance industry, however, was not uniform in opposing Clinton's reform legislation. The Blue Cross Blue Shield Association, with one third of the insurance market, continued to strongly support health care reform. In addition, a group of five large insurers broke off from the HIAA to form the Alliance for Managed Competition (October 1993, September 1994). Public support for Clinton health care reform dropped from 59% after Clinton announced his health care reform principles in September 1993 to 37% by July 1994 (Blendon et al. 1995, Yankelovich 1995).

Policy debates were also influenced by a moderation in health care inflation during the deliberation period (Levit et al. 1996). Our texts reflected the impact of this moderation in health care costs, with Republican politicians pointing to the recent moderation in costs to claim that there was no health care crisis (March 1994). Through the summer of 1994, Republicans in Congress seized on the weakened public support for reform and moderation in costs to obstruct Clinton's reform legislation.

Environmental Sensemaking. The deliberation period was marked by a shift in both representation and theorization. Our texts explicitly identified the shift towards managed care and a push towards

integration as environmental features that would increase in importance with the adoption of Clinton's reform proposal. For example an editorial article focused on the prospects for integration states: "Undoubtedly, President Clinton's plan would encourage more people to join managed care organizations" (December 1993). In addition, the growth in managed care and integration were also described as a product of ongoing evolution in health care markets that accompanied reform efforts. An insurance industry executive illustrates, claiming "The Clinton plan builds on evolution that is occurring in the managed care market and will create an environment in which health plans will compete based on the quality and cost of health care" (quoted in December 1993). These discussions of environmental features that were also components of Clinton's political reform proposal suggest that representation increasingly focused on cues made salient by the event.

The content analysis from Table 2 supports the idea that environmental sensemaking in the deliberation period led to increased attention to specific features and exemplars made salient by the reform event. The public unveiling of Clinton's reform proposal was accompanied by significant increases in attention to four environmental features that were perceived as congruent with political reform proposals: (1) the growth in HMOs/managed care (2) integration among hospitals, (3) the concept "managed care," and (4) "managed care" conceptualized as an organizational form. In contrast to the anticipation period, where selective attention to features and exemplars was driven by models theorized in communities of policy elites, changes in representation in the deliberation period reflect bottoms-up sensemaking processes in which diverse actors in the hospital field attended to environmental features and exemplars and assessed their congruence with both the event and ongoing market evolution. The perceived congruence between changing environmental features and the Clinton reform legislation, in specific quotes and our formal coding, suggests:

> **Proposition 2:** In periods of event deliberation, environmental sensemaking is increasingly characterized by representation of features and exemplars made salient by the event.

Representation of exemplars and environmental features made salient by the event led to new forms of theorization. Table 2 indicates that shifts in representation were accompanied by the emergent

theorization of a logic of managed care and declining attention to managed competition and other theorized political reform models. Theorization of a managed care logic was reflected in new uses of the phrases "managed care" and "reform." In contrast to earlier periods, articles increasingly began to use the phrase "managed care" to refer broadly to the environment as a whole, in addition to using the phrase to describe an organizational form. For example "The managed care era casts a dark shadow on academic medical centers" (December 1993). In addition, a number of articles use the phrase "managed care" to describe the principle locus of health system change, though this use of the phrase managed care does not significantly increase in the deliberation period. Both of these uses emphasize the emergence of "managed care" as an organizing principle for the organizational field as a whole, distinct from its use to indicate a specific organizational form.

A new field-level logic was also reflected in changing uses of the word "reform." While our texts continued to use the word "reform" to refer to specific political proposals, they also began to articulate the concept of market-driven "reform." In contrast to the earlier focus on "reform" as a needed political response to systemic breakdown, this concept emphasizes that the growth in managed care and ongoing evolution in health care markets was reforming the health care system in advance of any proposed reform legislation. It also reflects grounding in societal level logics of markets and corporations, rather than logics of the state that informed political reform proposals.

Finally, articles in the deliberation period directly theorized new conceptual models for the health care system in the wake of systemic transformation. In describing a "managed care" environment or positing "managed care" as a locus of systemic change, these articles present the view that there is a new world in health care and outline conceptual shifts to help actors navigate a transformed environment. One article outlines the principles of integrated care that would define the post-reform system. It contrasts the current fragmented system with one "that provides a continuum of care to a defined population and in which providers are clinically and financially accountable for outcomes." It outlines barriers to integration, including hospitals' "failure to understand the new core business of primary care" and their

"failure to overcome the hospital paradigm" (March 1994).

In contrast to political models theorized in communities of policy elites, our articles suggest that a managed care logic was a product of emergent theorization by journalists and participants in the health care sectors and hospital field. This emergent theorization was grounded in growing attention to managed care and related environmental features and the use exemplars as a basis for theorizing changing relations between institutional actors as part of a logic of managed care. An April 1994 article focused on changes in the Atlanta hospital market helps illustrate how representation led to the emergent theorization of a new field-level logic. The article begins by using the Atlanta market as an example of an emerging managed care system:

> "The Summer Olympics are still two years away in Atlanta, but a different kind of race is already underway: the movement to reform the city's health care system. The competition among the city's provider and payer heavyweights is heating up control of the market's primary care physicians—and with it future success in a managed care environment just beginning to mature."

In outlining the features of the emerging managed care market, the article goes on to discuss changing relations between hospitals and employers, with employers playing a more active role in cutting costs and shifting employees into managed care plans. Growing managed care enrollment, in turn, was posited as the driver of market consolidation involving mergers and alliances between hospitals, and hospital efforts to open primary care clinics and purchase primary care group practices. In discussing the Atlanta hospital market, the article drew on a specific exemplar to theorize a changing local market structure, and changing relations between hospitals, employers, and physicians.

During the deliberation period, theorization was driven not by previously theorized models, as in the anticipation period, but by attempts to abstract from changing features and exemplars in the organizational field. In addition to the use of specific exemplars as a basis for theorization, increased attention to environmental features made salient by the event highlighted above also shaped the emerging theorization and helped define managed care as a new system-level logic. This use of discussion of specific environmental features and exemplars as a basis for theorizing highlights:

Proposition 3: In periods of event deliberation, representation of changing features and exemplars in the environment leads to new forms of theorization

In contrast to theorized political models that were more fully elaborated and defined in communities of policy elites, the journalists and field participants writing or quoted in our texts did not articulate a fully-developed managed care logic. Instead, they theorize specific dimensions, used separately or in combination, in their efforts to both engage in the policy debates surrounding reform and to make sense of ongoing transformation in their field. The role of journalists in an emergent process of theorization parallels that found by Rao et al (2003) in their study of the emergence of nouvelle cuisine in France. The theorization process was cumulative, as articles began to theorize not only individual dimensions of a managed care logic, but multiple ones. As shown in Table 2, during the deliberation period, 32% of the articles theorized one or more dimensions, 12% of the articles theorized two or more, and 5% theorized three or four dimensions. The managed care logic thereby emerged from the accretion, or cumulative combination of separate dimensions into a more fully-formed logic.

Our findings suggest a new bottoms-up mechanism for the emergence of theorized logics. While Strang and Meyer (1993) highlight the role of academics and professional elites in developing abstract models, the process of environmental sensemaking in the hospital field reveals a different mechanism. As theorization by journalists accumulates, an institutional logic emerges from the combination of theorized dimensions that resonate with observed changes in environmental features and exemplars. Central to their combination is how labels such as “managed care” both increased in use (55% of all articles) and came to be used in different ways. Fifteen percent of all articles or 27% of those that use the label managed care explicitly view managed care as a way of characterizing the overall environment facing the hospital field. As part of the emergence of a field-level managed care logic, the meaning of managed care shifts, from an organizational form to a description of the overall environment. The growing combination of theorized dimensions of a managed care logic, combined with the increased usage of the term managed care and its changing meaning suggests

Proposition 4: New institutional logics emerge through the accretion of individual dimensions of theorization and change in the vocabularies used to characterize the environment.

Retrospection (September 1994 – December 1995)

At a news conference in September 1994, Democratic leaders pulled the plug on health care reform. The failure of Clinton's political reform effort ushered in a period of *retrospection* in which actors in the hospital field reflected on past and ongoing changes in health care markets. The Republican victory in the House and Senate elections of November 2004, taking majority control in both houses from the Democrats, sealed the fate of comprehensive health reform by eliminating it as a politically viable option.

Environmental Sensemaking. The failure of political reform efforts was a significant turning point in the event that triggered retrospective sensemaking of both political debates and accompanying environmental changes, leading to increased theorization of environmental change and of other dimensions of a logic of managed care. The elimination of political reform models as potential alternatives established the newly theorized managed care logic as a dominant paradigm for understanding material practices and defining relations between institutional actors in the field.

Articles explicitly depicted the failure of reform to theorize ongoing market-based transformation of the health care system. For example:

> "What you hear is not all hype. In the wake of the failure of federal health care reform this fall, integrated delivery networks are moving forward, and will surely provide a basis for the market-driven reform future" (November 1994)

In the wake of the failure of Clinton's effort, the concept of "market-driven reforms" increased as an alternative to political reform efforts, with 35% of all articles in this period using the word reform to refer to market-driven changes. In contrast political "reform" is now discussed in just 15% of articles, a significant decline from 57% in the baseline period. This shift in vocabulary use suggests a shift in understanding of the determinants of environmental change, which is also reflected in the declining prominence of political models for reform. Managed competition was now discussed in only 6% of articles, compared with 28% in the anticipation period, while community care networks and pay or play,

the two major policy reform models in the baseline period, received zero mentions. With the failure of health care reform and the rise in market reform, alternative policy models were no longer viewed as relevant to changing hospital environments. The declining importance of political reform models in environmental sensemaking in the context of the altered political environment highlights:

> **Proposition 5:** In periods of event retrospection, theoretical models not congruent with changing environments are abandoned.

In addition to the increased prominence of the concept of market-driven reform, we observed increased theorization of all four indicators of a logic of managed care. After the elimination of political reform as an alternative, articles increasingly came to theorize systemic change, and to use the phrase managed care to refer to the principle locus of systemic change and the environment as a whole. In addition, articles in the retrospection period were increasingly likely to theorize multiple dimensions of a managed care logic. Compared with the deliberation period, we observe an increased likelihood that articles will theorize 1, 2, 3 or all 4 dimensions of a managed care logic (65%, 31%, 21%, and 8%, respectively). The majority of all articles now theorize at least one dimension of a managed care logic, with an increasing accretion of dimensions across articles.

Consistent with the idea that representation can be a basis for emergent theorization of a new field-level logic, we find evidence for increasing use of specific exemplars as a basis for theorizing changing relations between institutional actors. In particular, representations based on exemplars of changing local market structure increased to 25% of all articles, and 27% relied on exemplars of a new hospital organizational form. Together these form a basis for theorizing change in the diverse roles of and relations between hospitals and other major institutional actors.

The logic of managed care incorporated both a theorized model of the hospitals' organizational field and corresponding sets of material practices. As highlighted above, actors theorized a logic of managed care in response to both the reform event and ongoing evolution in health care markets. We find growing evidence in our texts supporting the congruence between the managed care logic and current material practices. For example, an article discussing changes in the Boston, MA hospital market concludes

> "The winds of change will probably blow as unpredictably in Boston as in the rest of the nation. But as the sweeping forces of managed care and systems integration come into play in a city known for its mature health care institutions, healthcare executives across the country will no doubt be watching Boston for lessons that might help them weather the storm of market-based reform" (September 1994).

Our formal coding more broadly supports the idea that a newly theorized managed care logic was reflected in current material practice, with 21% of all articles in the retrospection period highlighting the congruence between specific exemplars and an emergent managed care logic. Taken together, the growing theorization of multiple dimensions of a logic of managed care, combined with the growing use of exemplars as a basis for theorizing changing relations between institutional actors and the perceived congruence between specific exemplars and a theorized logic of managed care highlights:

> **Proposition 6:** The adoption of a new institutional logic is shaped by the abandonment of alternative models and the congruence of the new logic with representative features and exemplars in the organizational field.

DISCUSSION AND CONCLUSION

Our narrative and content analysis supports our principal finding that the interplay between attention and environmental sensemaking over the event life course led to the emergence and adoption of a field-level logic of managed care. Prior to the event, contradictions in existing institutional arrangements had triggered theorization grounded in models developed by policy elites, but with no dominant logic. In the anticipation period, event attention altered both theorization and representation by focusing on a particular policy model: managed competition. In the deliberation period, representation of environmental features and exemplars made salient by both attention to Clinton's health reform proposal and ongoing evolution in health care markets formed a basis for new forms of theorization distinct from prior policy models. The failure of reform legislation eliminated political reform models as potential alternatives to an emergent logic of managed care. Actors increasingly focused attention on environmental features and exemplars that were congruent with a managed care logic, and theorized a system defined by the principles and centrality of managed care in the organizational field. Managed care,

previously identified with an organizational form that made up only part of the organizational field, came to be understood as the guiding principle for the field as whole.

Our research findings support our theory that environmental sensemaking processes of representation and theorization drive this cognitive shift over the event life course. Overall we propose that new institutional logics emerge through a process of environmental sensemaking, triggered by attention to events that are salient to institutional actors in an organizational field. Our focus on the interplay between ongoing event attention, representation and theorization offers a more complete account of the process by which new logics are adopted than prior research focused on theorization alone. To further explain our approach, we offer five specific observations about the process and mechanisms by which logics change.

First, we propose that event attention triggers a bottoms-up process of representation and theorization. We propose that theorization occurs through bottoms-up processes, in addition to the top-down effects of both societal-level logics and the logics of identity groups suggested by past research (Rao et al. 2003, Greenwood et al. 2002). The bottoms-up process of theorization is shaped by attention to representative environmental features and exemplars made salient by the event. The bottoms-up theorization of a new logic does not emerge in a fully developed fashion. Rather, theorization emerges in a piecemeal fashion as actors in the field abstract from specific exemplars and features to characterize specific dimensions of the organizational field.

Second, and building on our emphasis on the bottoms-up processes of theorization, we observe that the theorization of new institutional logics may occur through a process of accretion. Complementing recent research that focuses on competing logics between fully-formed templates for organizing developed by organizational elites (Greenwood and Suddaby 2006, Lounsbury 2007, Suddaby and Greenwood 2005), we find that change in logics can also occur as separate theorized dimensions accumulate into a new logic. Accretion occurs over the event life course, as individually theorized dimensions accumulate over time as part of the sensemaking process. Our case analysis suggests contextual factors that can determine when new logics will emerge through competition between

previously theorized models or accretion of emergent dimensions. The contrast between the policy debates grounded in models theorized by policy elites in the early phases of the event, and the emergent theorization in the later phases suggests that competition between logics may be more important when institutional change is driven by political or regulatory processes, while accretion will be prevalent when institutional change emerges through prolonged uncertainty or environmental turmoil.

Third, we identify vocabulary change as a critical mechanism by which this theorization emerges. By vocabulary change we mean both change in the words or labels used, and changes in the meanings attached to specific words or labels. Building on recent research highlighting the centrality of words and vocabularies as indicators of institutional logics (Loewenstein and Ocasio 2008, Jones and Livne-Tarandach 2008, Ocasio and Joseph 2005), our analysis indicates multiple examples of change in vocabulary use. For example, increased usage of the label "managed care" indicated growing attention to the concept. The emergent use of "managed care" to describe the principle locus of change theorizes the role of managed care in redefining relations between institutional actors. The use of "managed care" to describe the environment as a whole theorizes its importance as an organizing principle for the field. Both of these emergent uses contrast with the more established use of the label "managed care" to indicate an organizational form. These changes in vocabularies reflect theorization of environmental change in the hospitals' organizational field, and of different dimensions of a logic of managed care.

Fourth, our theory development differs from most prior research on the role of events in institutional change. In contrast to a focus on the role of events in disrupting institutional arrangements (e.g. Baron et al. 1986), we find that events can be significant well after the deinstitutionalization of a previously dominant logic. The impact of events resides in their power to focus the attention of diverse institutional actors on characteristics of the event and of the broader environment that were not previously salient, and to bring about a temporal shift in which actors engage in intensified sensemaking of the environment (cf. Staudenmayer et al. 2002).

Finally, we highlight the role of cognitive context in shaping opportunities for embedded agency, an

issue that has received limited attention in prior research. By cognitive context, we mean contextual factors that shape how sensegiving efforts are interpreted or received within field. Recent research on institutional change has focused on understanding when and how agency is possible given that actors are embedded in the institutions they seek to change. Institutional contexts, in this view, impose a cognitive constraint on actors' ability to conceive of alternatives to existing institutional arrangements. This approach conceptualizes cognition, in the form of taken-for-granted beliefs and assumptions, as a constraint to embedded agency. Given the cognitive constraints, embedded agency is more likely in periods of institutional contradiction, or on the part of actors embedded in multiple fields (Greenwood and Suddaby 2006, Seo and Creed 2002). Socio-political perspectives suggest an additional constraint on embedded agency. To the extent that actors are able to theorize alternatives to existing institutional arrangements that better suit their interests, their sensegiving efforts to legitimate a new logic are constrained by entrenched opponents or competing actors, who engage in counter-framing and rhetorical strategies to advance their own, competing interests (Suddaby and Greenwood 2005).

Our focus on cognitive context suggests a different process, in which sensegiving efforts by embedded agents feed into sensemaking efforts on the part of diverse actors within a field (Maitlis 2005). Theorized models, proposed by institutional entrepreneurs and advocated for by political actors or social movements, are interpreted, selectively attended to and reinterpreted by diverse field participants. In the process of sensemaking, actors take components of theorized models and reinterpret them in a new light, grounded in their own experiences of critical events. Actors draw connections between elements of theorized models and ongoing occurrences in their immediate environment, and update their attention to and interpretations of theorized models over time. The impact of sensegiving efforts, then, is enabled and constrained by the cognitive context in which theorized models and rhetorical strategies are made sense of and reinterpreted based on the perspectives and experiences of diverse actors.

Our focus on the emergence and adoption of new logics through a recursive process between event attention, representation and theorization differs from prior research in specifying cognitive mechanisms

that can explain how new logics are theorized and adopted. We complement socio-political perspectives towards change in institutional logics (Greenwood et al. 2002, Suddaby and Greenwood 2005, Green 2004) in suggesting that political conflict and interests alone fail to explain the emergence of a managed care logic. While politics and interests are clearly important, interest-based explanations are incomplete because a managed care logic did not serve the interests nor were proposed by major opponents of the Clinton reform plan. Ironically, small and medium insurers opposed reform, in part, because they believed they would be less able to compete in a managed care environment that would follow Clinton's reform efforts. Large insurers, which supported Clinton's reform, responded by accelerating their efforts to develop managed care networks. Their interests, rather than those of the small and medium insurers who most vociferously opposed the Clinton initiative, were more clearly served by the emergence of a managed care logic.

An exclusive focus on political conflict and interests would also fail to explain how major institutional actors came to change their beliefs about the need for comprehensive reform legislation. In the baseline period, representatives of hospitals, insurers, physicians and businesses, as well as broad variety of politicians all expressed the view that major systemic flaws in the health system could only be remedied by comprehensive political reforms. Over the course of the reform event, many of these same actors, most notably representatives of hospitals, insurance companies, and businesses, as well as Republican legislators, came to express the view that market-driven changes that were taking place were addressing systemic problems despite the failure of political reform. Though the interests of these institutional actors did not substantially change over the course of the event, their environmental sensemaking did change. Understanding the mechanisms by which this cognitive shift occurred is therefore central to explaining change in institutional logics.

Our research suffers from a number of limitations that can be addressed through future research. First, while we extend knowledge of the mechanisms by which new institutional logics are adopted, more work is needed to identify how change in logics interrelates with change in other components of

institutions: governance structures and institutional actors (Scott and McAdam 2005) While our examination of change over a four year period allowed us to focus on the impacts of theorization and representation, research that examines a longer time period is required to examine the coevolutionary relationship between institutional logics, governance structures, and institutional actors. In operationalizing field-level logics as abstract models of prevailing material practices and relations between institutional actors, we provide indirect evidence of change in governance structures. In documenting the emergence of a logic of managed care, we provide evidence that actors in the hospital field increasingly emphasized the growing importance of changing relations between hospitals, insurers and employers. While this provides indirect evidence of how changing logics institutionalize changes in governance structures, it stops short of directly assessing changing governance structures. While documenting change in ideal-typical relations between institutional actors, it stops short of directly measuring this change. Future research is needed to better specify and empirically validate the proposed coevolutionary relationship between the distinct components of institutions

Second, our theoretical focus on the mechanisms by which event attention leads to change in institutional logics limits our ability to distinguish the relative importance of event attention and other potential drivers of change. Prior research has already proposed that the Clinton reform effort led to the consolidation of a managed care system (Ginsburg 2005, Stevens 2000). Based on a single case analysis of articles that attend to the reform event, we cannot rule out the potential that other environmental factors, external to the Clinton reform event, also played a role. Additional research examining a large number of critical events is needed to better understand the interactions between event attention and other potential drivers of change in institutional logics.

Finally, while a principal contribution of our paper is to explain a cognitive shift in the hospital field by which diverse actors came to express the belief that managed care was the field's central organizing principle, we are limited in our ability to identify differences in sensemaking across institutional actors. The texts in our analysis quote representatives of hospitals, insurers and business expressing the belief

that market-driven “reform” and managed care had transformed the hospital field. Our use of articles written primarily by journalists, however, limits our ability to assess differences in representation and theorization across diverse actors within the hospital field. Future research, focused on texts more clearly produced by specific actors, such as congressional testimony (Lounsbury et al. 2003) or position papers developed by interest groups (Suddaby and Greenwood 2005) can better understand how sensemaking by diverse and distinct actors can converge into the adoption of a dominant field-level logic.

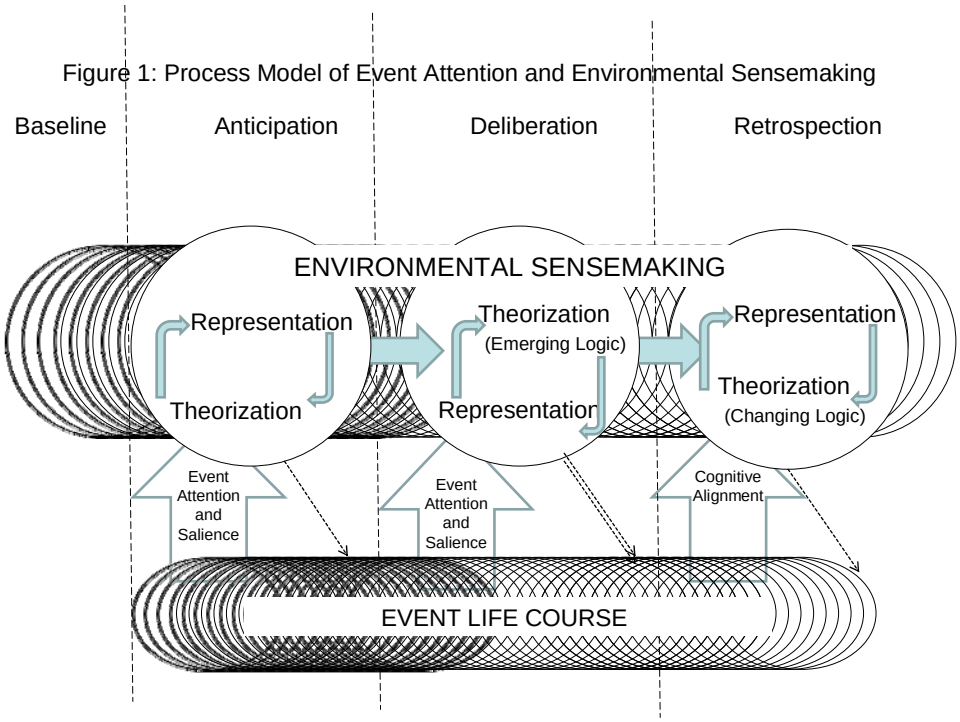
TABLE 1: Ideal Type Logics and Policy Models			
	Professional Dominance	**Managed Competition Model**	**Managed Care Logic**
Dominant Societal Level Logics	Professions (Market secondary logics)	Market and State	Market and Corporate
Normative goals or commitments	Principle of physician authority: Quality care to individual patients	Principles of cost-effectiveness and equity: Cost-effective, quality care to all community members	Principle of managed care: Cost-effective, quality care to insured populations through market mechanisms
Hospital Competition	Competition for physician referrals	Competition for patients based on cost and quality.	Competition for managed care contracts through price competition
Role of Third-Party Payers	Passive financers of patient care, preserving physician authority	Active purchasers of high quality, low-cost healthcare	Control utilization of hospital services
Professional Authority and Jurisdiction	Strong physician authority over clinical care	Physicians have moderate to strong authority over clinical care. Hospital and managed care organization managers monitor clinical care based on adherence to clinical guidelines.	Physicians have moderate to strong authority over clinical care. Hospital and managed care organization managers monitor clinical care based on adherence to clinical guidelines.

Table 2: Environmental Sensemaking over Event Life course

	Baseline	Anticipation	Deliberation	Retrospection	Δ Over Event
Policy-driven Theorization					
managed competition	0.037	**0.28**	***0.174***	0.0625	
community care	0.185	0.152	***0.041***	**0**	-
pay or play	0.185	**0.016**	**0**	**0**	-
single payer	0	0.064	**0.087**	0.021	
"reform" political proposal	0.574	***0.4***	**0.413**	***0.167***	-
"reform" corrective to system breakdown	0.37	***0.104***	***0.029***	**0.083**	-
"reform" importance as issue	0.167	0.104	***0***	**0**	-
Policy-driven Representation					
"managed care" component of political plan	0.074	0.104	0.087	0.021	
Exemplar-political model congruence	0.204	0.192	0.134	**0.021**	-
Representation of Changing Market Features					
Managed care/HMO shift	0.222	0.288	***0.4***	***0.625***	+
Integration Shift	0.296	0.432	**0.517**	**0.521**	+
Physician Authority	0.13	0.136	0.14	*0.02*	
Primary Care Shift	0.148	***0.29***	0.238	0.146	
"managed care"	0.389	0.424	***0.55***	**0.708**	+
"managed care" organization/plan/contract	0.185	0.216	***0.331***	**0.375**	
Organizational and market exemplars	0.389	0.496	0.424	0.479	
Representation as a basis for theorizing					
Hospital - Hospital relations	0.111	0.16	0.186	0.167	
Hospital Insurer relations	0.037	0.112	0.14	0.146	
Hospital Employer relations	0.037	0.056	0.07	0.146	
Hospital Physician relations	0.148	0.2	0.163	0.188	
Local market structure	0.019	0.08	0.093	**0.25**	+
New/changing hospital organizational form	0.111	0.224	0.233	**0.271**	+
Logic of Managed Care					
"managed care" locus of change	0.074	0.056	0.116	***0.42***	+
"managed care" environment	0.037	0.072	***0.15***	**0.229**	+
"reform" locus market	0	0.008	***0.12***	***0.35***	+
theorization of systemic change towards managed care	-	0.06	**0.08**	***0.19***	+
1 or more indicator	0.09	0.14	***0.32***	***0.65***	+
2 or more indicators	0.02	0.05	***0.12***	***0.31***	+
3 or more indicators	0	0.01	*0.05*	***0.21***	+
4 indicators	0	0	0.01	***0.08***	+
Managed Care Driven Representation					
Exemplar-managed care logic congruence	.019	.056	.07	**.208**	+

bold - significant difference from baseline; *italics – significant difference from prior period*

Figure 1: Process Model of Event Attention and Environmental Sensemaking



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