Making Sense of Organizational Isomorphism:

The Case of ISO 9000 in Hong Kong Industries

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ABSTRACT

This thesis seeks to answer the question of why organizations from different industrial sectors in Hong Kong have adopted the ISO 9000 quality assurance standard in recent years. Why organizations are becoming similar in their practices and structure across different industries has long been a problem in organizational analysis. In response to this question, DiMaggio and Powell (1991b) developed an institutional explanation that accounts for the isomorphic process by three driving vehicles, namely coercive, normative and mimetic. These explanatory models parallel to the conventional explanations (trade restrictions, market forces, promotion by professional groups) offered by practitioners to understand the popularity of ISO adoption. However, I contend that both explanatory models are not sufficient to understand the ISO phenomenon. Based on my empirical research I argue that some important factors involved in the adoption process should not be omitted.

The institutionalism argues that organizational structure and action should be explained in terms of conformity to normative expectations and pressures emanating from the institutional environment of organizations rather than in terms of the quest for efficiency in response to market pressures. But I think that the widespread adoption of ISO 9000 should be understood by bringing back the rational grounds on which actors make good sense. Therefore, I shall highlight actors' maneuvering within institutional constraints. The functions of ISO 9000 as a market signal, buffering tool, conflict-resolution strategy and deskilling device will be revealed. Also, the sensemaking strategy used by actors to make their conducts more sensible and to expel misfits will be discussed in detail. By so doing, this thesis aims to illuminate the relationship between the institutions and actors. It will be seen that a more active role of organizational actor should be restored even though institutions are always at work.

Chapter 1: Introduction

" Organizations are still becoming more homogeneous, and bureaucratization remains the common organizational form. Today, however, structural change in organizations seems less and less driven by competition or by the need for efficiency. Instead, we contend, bureaucratization and other forms of organizational change occur as the result of processes that make organizations more similar without necessarily making them more efficient. Bureaucratization and other forms of homogenization emerge, we argue, out of the structuration of organizational fields. This process, in turn, is effected largely by the state and professions, which have become the great rationalizers of the second half of the twentieth century. For reasons that we will explain, highly structured organizational fields provide a context in which individual effects to deal rationally with uncertainty and constrain often lead, in the aggregate, to homogeneity in structure, culture, and output. (DiMaggio and Powell, 1991b, p.63-64)

Why organizations are becoming similar is an old question in organizational theory. For Max Weber, it is because of the rationalization process in modern societies that organizations inevitably adopt a rational-bureaucratic structure. However, in their revisit of the iron cage thesis, DiMaggio and Powell (1991b) rather view the isomorphic structure as the result of institutional pressures. Driven by the institutional pressures, organizations do not necessarily achieve the goal of efficiency as Weber expects. Notwithstanding their differences, one important point they both share is that organizations are becoming similar as the result of macro and societal processes--- while one refers to societal rationalization, the other refers to institutionalization in the organizational field. In other words, both of these arguments operate at the macro level, focusing on how the social environment generates organizational conformity. My point of departure of this paper also begins by asking the questions why are organizations increasingly homogenized. It will start by examining the effects of institutionalized environments upon individual organizations with respect to DiMaggio and Powell's institutional framework. But it will not end there. Rather, this thesis looks further into the problem of how organizational actors make sense of their institution-following behaviors and how they build up rational accounts of their conforming conducts. By so doing, I hope to re-install the microfoundations of the process of institutionalization. As Zucker (1991) also notes,

> "Most macro institutional research examines indicators of the effects of the institutional environment on some aspect of organizational structure activity. The process by which it occurs remains a 'black box'." (p.104)

This paper is an attempt to unlock the black box by bringing back organizational actors' sensemaking process into organizational analysis. Being dissatisfied with the explanations that institutional analysis offers, I aim to reveal in this study how organizational actors use different strategies to build up their rational accounts with reference to the existing institutions. By unlocking this black box, I also aim at analyzing how institutional environments constrain organizational actors on the one hand but also enable actors' further strategic action on the other.

1.1 ISO 9000 as an isomorphic process in Hongkong industry

> "Quality is an issue of great importance to the future of Hong Kong and its neighboring region. More and more, international trade demands high quality products and services, and international trade is the lifeblood of Hong Kong and the region." (Cheng, 1995)

In recent years, there has been a popular fashion of adopting quality assurance system, or more precisely, the ISO 9000 quality assurance standard. Many organizations from different industries in Hong Kong use it as their quality control device. What is ISO 9000? Briefly defined, ISO 9000 is an internationally recognized quality standard which defines how the production process should take place in an organization.[1] It is a quality policy which is pertinent to the production procedures instead of the quality of products themselves. In its own words,

> "[ISO 9000 quality assurance system is] the specific requirements of the necessary documentation, document control, internal quality audits, corrective action, management review and maintaining an effective documented quality management system." (Burchett & Tummala, 1995)

It will be shown that such a quality policy has become the most widely used system in many different industrial sectors. This procedure-specific system has become a hit although a number of other types of quality assurance systems exist. The implication of the widespread adoption of such a quality system is that structures and practices of different organizations are moving towards homogenization. It is an illustration of the isomorphic process taking place in Hongkong industries.

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[1] For a more detailed account of the ISO 9000 quality system, please see Chapter 2 of this paper.

1.2 Theoretical and Empirical Background

There is a revitalized interest in institutions in social science disciplines. In recent years, institutions have been extensively studied in sociology, politics and economics. Many works have been produced to show how the interest in institutions is brought back to the discipline. (March & Olsen, 1984; Zucker, 1987; DiMaggio & Powell, 1991a; Campbell, 1995) Due to the different understandings of institutions, it is too difficult to incorporate all of these different theoretical perspectives. But in simpler words, these studies are "concerned with explaining actions as the output of institutions rather than individuals has emerged." (Zucker, 1987: p.459) In other words, they aim to study how persistent social constraints govern and channel human conduct. This paper is primarily concerned with the institutional theory of organization. It can be seen that a vast literature has dealt with the relationship between institutions and agencies, especially on how institutionalization causes isomorphic change in different organizations. (e.g. Slack & Hinings, 1994; Rosenweig & Nohria, 1992; Mezias, 1995) These studies focus mainly on how isomorphism takes place in various industries, aiming to reveal the forces driving organizations to adopt similar practices. Most of these attempts can be understood with reference to the framework defined by DiMaggio and Powell, who argue that isomorphic changes are mainly driven by coercive, normative or/and mimetic pressures. (1991b) How different aspects of institutional forces lead to the likelihood of changes in organizational structure and practice becomes the most important research agenda. However, I think there are still some scopes to refine this research agenda.

First, in the neo-institutional model, organizations are said to be affected by their institutionalized environments including state, professional groups and other organizations. (Zucker, 1987, DiMaggio and Powell, 1991a and 1991b, Scott, 1995) However, the ways in which organizations are affected by these environments are not very clearly stated so far. It means, in other words, the mechanisms of how institutions work are not satisfactorily understood. Second, as I pointed out before, these previous studies all tend to stress the omnipotence of institutions upon individual organizations but failed to consider how individual organizations and their actors respond to their institutional environments. Such an eclipse of organizational actors' motivations and perceptions causes the institutional model to fail in explaining the conduct of profit-making organizations. Third, because of the above

ambiguities, there is a risk of equating the institutional settings with the organizational actors' motivations of following institutionalized practices. Fourth, the selected emphasis on particular aspects of institutional pressure also risks neglecting other kinds of pressures that an actor may encounter. To sum up, a careful examination how institutions work is still needed. From my point of view, organizational actors' sensemaking process must be brought back onto the stage of institutional theory.

By doing so, my intention is to grasp how institutions are understood (made sense of) and reproduced in both business and public organizations and see how they may be used to enable the further development of organizations. This is also why ISO 9000 is chosen to illustrate the theoretical problems for it is representative enough in the sense that it appears not only in a single industry, but among organizations of different sectors and sizes. Insight derived from the cases not only helps in understanding how organizational actors make sense of an organizational arrangement but also explains "the logic of action" in organizations. "What is the logic of action in organizations?" Through investigating how people in organizations make sense of the adoption of ISO 9000, I aim, first, to challenge the "logic of instrumentality" inherent in economic theory. Furthermore, by refining the "logic of appropriateness" stressed by the institutional theory of organization (Campbell, 1995), I hope to comprehend organizational action in the light of both ethnomethodology (Garfinkel, 1967) and the theory of practical action. (DiMaggio and Powell, 1991a, Scott and Christensen, 1995) The former theoretical stance, the logic of instrumentality, emphasizes "actions based on material and idealistic interests", while the latter, the logic of appropriateness, points to those actions "based on routines and rituals". (Campbell, 1995) My argument in this dissertation straddles the two types of logic. While I do not agree with the instrumental logic that organizational actions are based only on material and idealistic interests, I also do not think that organizational actors are so passive that they just follow whatever is socially appropriate and are unconscious of the consequences of their institution-following conducts. Instead, as I will reveal in this paper, organizational actors are competent to invent rational grounds on which their accounts are based. Different sensemaking strategies are also employed by these organizational actors not only to make their conducts accountable and understandable but also to condemn those non-institution-followers. Hence, I will show that the adoption of an organizational arrangement can be taken neither simply as technical

necessity nor an automatic process under the institutional environments. Campbell's statement words best reflects my argument:

> "(T)the probability of an idea being selected varies according to the extent that it provides solutions with instrumental problems, fits existing paradigms, conforms to prevailing public philosophers, and can be framed in socially appropriate ways...........Given that perception of crisis or uncertainty to which policy makers seek a remedy, is an idea for a solution visible, credible, and rhetorically appealing to policy makers due to its fit or association with a dominant policy paradigm and/or their ideological convictions and cognitive frames of reference? ...." (ibid., p.29)

What I want to accomplish in this study is to understand how an organizational arrangement is chosen from the perspective of decision-makers who are subject to their own institutional context.

In an empirical sense, I think that ISO 9000 in Hong Kong is an interesting topic for the following reasons. As I mentioned above, there is more than one quality management system in industrial sectors. However, ISO 9000 has "defeated" all of them to become the most popularly used system. Is that simply because it is the best system which can ensure the organizations have a sound and good quality production? Theoretically speaking, "old theory, to be sure, assumed that formal organizing occurs because it is functional, more or less as claimed" (Jepperson & Meyer, 1991). Is it also the case with ISO 9000? Second, ISO 9000 also implies a routinization in production process. Standardized operating procedures are ushered in by the use of ISO 9000 quality standard. How will it affect the internal dynamic of the organizations? Third, the internationalization of the global economy also makes the trust which is tied to formal institutions more significant. ISO 9000 as an internationally recognized standard is believed to be helpful in bringing unfamiliar trade partners together. However, how can this kind of trust work out?

Last but not least, the dialogue between economics and sociology has a long history. However, only a few topics are thought to be of common interest. Organizations, as an arena where both social and economic factors are taken into account, are often thought to be a good

point of entry towards theoretical convergence.[2] In addition, the neo-institutionalism in both economics and sociology is regarded as a entry point for communication. (For example, Knudsen, 1995) My focus of how institutions affect organizational conduct is therefore intended to add value to the dialogue. In Hirsch and his associates' words, through the exploration of the "dirty hand", this paper aims to provide insight for the understanding of how "clean models" work. (Hirsch et al. 1990)

The questions to be tackled in this paper can be summed up as follows. What factors drive different organizations to adopt the same quality measure? How do environmental factors matter in influencing organizational decisions of producing with such a quality system? Is, as Weber says, the rationalization of society driving different organizations to adopt a similar outlook? Or are organizations driven by the institutional factors that DiMaggio and Powell identified? If this is driven by various kinds of institutional pressure, how do organizations gain from the adoption of the ISO 9000 quality assurance standard? How do organizational actors achieve balance between institutional requirements and internal efficiency? How do different organizations perceive their implementation of a comprehensive quality policy? Or more succinctly, how do organizational actors make sense of their institution-following behaviors?

1.3 Methods

Illustrations in this paper come mainly from three sources. First, in order to understand how ISO 9000 is promoted and advertised by the promotional groups, I read several documents vital to the implementation of ISO 9000. Most of them appear in the journals published by the professional associations, quality documents of particular organizations and also the focused discussions in various newspapers[3]. Special emphasis will be placed on the Quality Corner of the *Productivity News* as sixteen organizations had shared their experiences

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[2] For example, Oliver Williamson's communication with sociologists also stemmed from his interest in organizations and how institutions affect the organizational forms. (see Williamson, 1987) Also, in regarding the communication between sociology and economics, Swedberg quotes a part of the letter from James Buchanan, "the increasing emphasis by many economists on understanding the internal structure of organizations moves the two disciplines [sociology and economics] closer to each other". (Buchanan's letter quoted in Swedberg, 1990)

[3] As ISO 9000 is repeatedly promoted by the professional groups and particular certified organizations, focused discussions on it can be found occasionally in different newspapers.

of ISO-implementation there from March 1994 to October 1995[4]. It is a useful source of information for understanding the actors' sensemaking strategies for three reasons. First, as a widely published business journal, interviewees of the Corner are supposed to be fully aware of the significance of their speeches. The interviewees are therefore cautious about expressing their reasons for ISO 9000 adoption consistently and convincingly. Hence, their sensemaking devices can be well reflected in those interviews. Second, it should be noted that most of the interviewed companies had already been successfully certified by the certifying bodies. The implication is that the reasons expressed for adoption and understanding of the implementation process they expressed are *post hoc*. In other words, accounts were provided after the implementation of ISO 9000. Thus, organizational actors appearing in the Corner provided rational accounts for the whole course of their certification process. It helps the researcher discover the rational grounds on which they can make their actions sensible. Third, organizations appearing in the Corner are from different industries. Such variety, of course, tells the readers that ISO 9000 can be adopted by a wide array of organizations. It thus facilitates an understanding of how organizations from different industries understand their institutional environments.

To supplement information gained the business journals, I also conducted ten interviews, each one to two hours, with either the companies' managers or officers who are familiar with the operation of the ISO 9000 quality system.[5] They share with me their views of how they and their corporations really feel about the ISO 9000 quality system, providing me with alternative ways of understanding it. They also alert me to how hidden things can be seen, like making use of the ambiguity of the quality assurance system, that I will discuss in Chapter 6. Though these sampled organizations are not equally distributed among different industries [6], their diversification is rich enough for me to understand the different mechanisms of isomorphic processes. I have also spent numerous hours talking with people working in the organizations which are undergoing the implementation or have successfully installed the ISO 9000 quality assurance system.[7]

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[4] For a more detailed case breakdown, please see Appendix 1.

[5] For a more detailed case breakdown, please see Appendix 2.

[6] I started contacting those interviewees by using my personal network, but some later interviewees were introduced by the former ones indeed. Methodologically speaking, it is a 'snowball' method that I use to map the respondents. For example, Wilson (Case B) is the university classmate of Mui Lee (Case C).

[7] Since I had determined to conduct research on ISO 9000, I paid attention to all those friends and friends' friends and saw if they are engaged directly or indirectly in ISO implementation. In fact, though I did not do so

Last but not least, I also explored the topic by participating in different activities held by relevant professional groups. For instance, I attended in a seminar held by the Hong Kong Trade Development Council (HKTDC) in which a popular ISO 9000 consultant gave a talk on ISO 9000. In addition, two company directors shared their experiences of ISO implementation during the seminar. How people posed their questions and made sense of ISO 9000 were also observed in the seminars. Other than that, I went to see some exhibitions on the introduction of the quality system so as to understand how the story of ISO 9000 is told publicly.[8]

1.4 Internal Organization Of Each Chapter

This thesis has seven chapters. Chapter 1 lays down the basic framework of the thesis. Chapter 2 starts with an introduction of ISO, especially on its characteristics and application in Hongkong industries. It also reviews some of the current models accounting for the adoption of ISO 9000. Of these, four current models are highlighted in this chapter. Currently, the widespread adoption of ISO is attributed to either trade restrictions, market trends, or norms promoted by the professional groups. Thus, using the ISO quality standard is believed to be the result of rational choice. Related theoretical models are to be re-examined. The three isomorphic processes, coercive, mimetic and normative, identified by DiMaggio and Powell (1991b) will be employed to connect with the above current models. It aims not only to see these models in a more theoretical way, but also to expose the weaknesses of the neo-institutional theoretical perspective in organizations.

In reviewing the institutional theory of organization in Chapter 3, I pay special attention to the theoretical transformation from the so-called old-institutional model to the neo-institutionalism in organizational analysis in Chapter 3. The work of Philip Selznick, an old institutionalist whose impact on the development of institutional theory is profound, will be examined to see how his insights affect neo-institutionalism and current theory-building. By revisiting his conception of organizational actors, a more competent view of organizational

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in a formal interviewing manner, I tapped knowledge and their views of ISO 9000 from these conversations. The ideas they provided were especially important for me to understand the operation of ISO 9000.
[8] For example, Hong Kong Productivity Council held an exhibition on ISO 9000 and Quality Management in its headquarters in the summer of 1995.

actors will be restored. In other words, in using the old-institutional theory to re-examine on the neo-institutional model, I intend to review how the latter loses its emphasis on the role of organizational actors. The three isomorphic pressures suggested by DiMaggio and Powell will be also supplemented by Scott's (1995) three-pillar view, so as to demonstrate how the three mechanisms make different assumptions about the nature of reality. I will then explain why I think the sensemaking perspective is vital to the institutional theory of organizations. Garfinkel's (1967) and Weick's (1995) contributions on the sensemaking perspective will be thus highlighted in this chapter. Two characteristics of sensemaking that serve as the ground for discussion in Chapters 5 and 6 will be mentioned. The first concerns about how actors make good sense of what they have done by drawing upon some established and existing grounds. It will be dealt with extensively and intensively in Chapter 5. The second concerns about the fragility of sense that is being made. Therefore, actors' endeavours in maintaining the 'senses' are indispensable and will be covered in Chapter 6.

Chapter 4 tries to understand the empirical data in the light of the three pillars mentioned above. It describes how these mechanisms of isomorphism work in different organizations. First, the coercive pressures from both the state and parent companies will be examined in this chapter. I will also show in this chapter that coercive pressure can influence organizations in a very indirect way. Organizations not directly requested to adopt ISO 9000, in fact, also feel obliged to use the prevailing quality assurance standard. Second, how the ISO-certified organizations in the field form the mimetic pressure upon other organizations will be also discussed extensively. Third, the normative pressure stemming from within and external to the organizations will not be neglected. An important aim of this chapter is to show how different institutional pressures work together in pressing the organizations to conform to the institutionalized conduct. This confirmation of the coexistence of different institutional pressures, however, is not to refute the possibility of actors' sensemaking. Rather, it is paving the way to see how organizational actors can make good sense of their conformity to institutionalized arrangements.

The focus of Chapter 5 is on how organizational actors make good sense of their institution-following conduct. Two levels of analysis are pursued in this chapter. At the interorganizational level, the adoption of ISO 9000 is understood using the concept of 'market

signaling' invented by Michael Spence (1974). Also, how ISO 9000 can be used as a shield against possible risks endangering the legitimacy of organizations is discussed. As uncertainty and accidents are inevitable to an organization, the repairing function provided by ISO 9000 is therefore particularly emphasized. At the intraorganizational level, the functions of ISO 9000 as a deskilling and conflict-resolution device will be uncovered. Finally, the three strategies used by organizational actors to smooth their sensemaking process are also examined.

The management of misfit and dissonance is the focus of the Chapter 6. Though a lot of tactful strategies may be used by organizational actors, undesirable results can still arise to challenge the existing sensemaking frameworks. Therefore, the need to understand how organizational actors manage misfit and dissonance becomes apparent. Unrealization of quality goals, ambiguities of the ISO 9000's requirements and the labors' resistance are issues worth our attention. This chapter will show how organizational actors are competent in keeping making good sense despite the appearance of these undesirable features.

The concluding chapter summarizes the previous empirical discussion and attempts to recapitulate the principal arguments of this dissertation. A special focus of this chapter is on the relationship between actors and institutions. Campbell's analysis of the theory of action and constraint are used there to re-examine the previous empirical work. The concepts of institution, institutional effects and institutionalism will be elaborated. The theoretical questions posed in the introductory chapter are hoped to be resolved there. Finally, a possible research agenda is suggested to further understand both the institutional model and the ISO 9000 quality assurance standard itself. Hopefully, the ending of this paper will be a beginning of another more fruitful research.

Chapter 2

ISO 9000 As An Isomorphic Process In Hongkong Industries

Among different quality assurance systems, ISO 9000 has been gaining in popularity for years. What factors account for its success? Is it due to environmental factors or its own merits? Given there is not just one organizational arrangement in place, how ISO 9000 can "defeat" the alternative systems is not something inevitable. As Campbell notes, "given that there are usually many alternative ideas available at the same time, why are some ideas are selected over others?" (1995: pp.28)

In order to answer this question, one has to know what ISO 9000 is about. Thus, I will begin with an introduction to the origin and characteristics of ISO 9000. The introduction will be followed by a review of the current usage of ISO 9000 in Hong Kong as well as the global economy. It will show that the system is becoming an increasingly recognized and popular symbol of quality production. Actually, its popularity is not unnoticed as many explanations have been suggested to account for it. Interestingly enough, these explanations parallel some existing theoretical frameworks which are currently adopted in the organizational studies, particularly the institutional theory of DiMaggio and Powell. (1991a and 1991b) However, I do not think any one of these explanations is sufficient to provide a comprehensive understanding of the story. They tend to exaggerate the influence of particular isomorphic pressures and give insufficient attention to the *"sensemaking process of the organizational actors"*. In this regard, my discussion in this section is not purely empirical nor theoretical. Instead, I aim at integrating the empirical questions with the theoretical ones.

2.1 Origin of ISO 9000

ISO 9000 is a quality standard that was created by the International Organization for Standardization (ISO), based in Geneva, Switzerland. Its origin can be traced back to 1943, when the British military, or more specifically, the military procurement agency for munitions, began experiencing difficulties in the purchase of expensive and explosive weapons. The difficulty was that the they could not get immediate feedback on these products while their quality was very important. Therefore, instead of inspecting the products themselves, the agency developed a series of characteristics and requirements which could in general direct the

company to the way of producing. High-quality products were believed to be produced in such a process. From then onwards, the British Standards Institution (BSI) further developed the system and extended its application to non-military purposes. ISO 9000 later became the evolved and revised version of this quality system. As a result, in 1987 the ISO 9000 series of standards were published.

2.2 ISO's Popularity In Global And Local Markets

The ISO 9000 series of quality management and quality assurance standards have had an enormous world-wide impact since its publication. The sales volume of the ISO 9000-relevant document is an powerful indicator of the widespread recognition of the standard in different industries of the international standards community. It is noted by Mr. Siu, the controller of the Business Development Division of Hong Kong Quality Assurance Agency (HKQAA),

> "The Mobil Survey of ISO 9000 Certificates Awarded World-wide issued on 18 October 1994, at least 70,000 ISO 9000 certificates had been issued in 76 countries up to the end of June 1994, and this is increasing daily.........In Hong Kong and China, the increasing demand for certification of companies is a reflection........according to Mobil Survey, 336 and 150 ISO 9000 certificates had been issued in Hong Kong and China respectively up to the end of 1994......" (Siu, 1994)

However, the figures shown above are likely to be an underestimation for two reasons. First, the figures are out of date since they do not cover the substantial increase from 1994 to 1995. While there were only two companies certified by HKQAA in 1991, there were almost 100 companies accredited in 1995. (*Productivity News*, 1995) Reflected by that we know the proportion of increase in ISO certification is higher than a constant one. Second, there are various certifying bodies which are unknown to the surveyor, so that the 'true' figures are believed to be higher. In fact, there are numerous companies which have been working for the certificates and we may have witnessed some of these certifications by simply reading daily news. To be sure, the adoption of ISO 9000 as a quality assurance system is becoming a 'trend' in both the global and local economy.

On the other hand, its significance rests not only on the number of users, but also on its perceived importance in the field. The perception of its function is very positive and affirmative, for instance,

> "The ISO-9000 series was conceived to bring harmonization to numerous and varying national and international standards, and support the growing impact of quality as a factor in international trade" (quoted in Prasad & Naidu, 1994)

Mr. Sung, the divisional manager of the Quality and Management Consultancy Division at Hong Kong Productivity Council (HKPC), also suggests that

> "ISO has become a business requirement. Most of the world's large buyers and procurement officers overseas look for quality products" (*SCMP*, 2/3/1995, p.6)

In addition, its vitality is also reflected by the responses of the people attending the seminars on ISO 9000. They asked when they left that "could they afford not to obtain ISO 9000 and so not stay competitive?" (*Regional notes*)The same question also appeared at the end of Siu's paper,

> "It is apparent that the question to be asked is not, 'can I afford to implement ISO 9000 in my organization?' but as competition increases, 'can I afford not to?'" (Siu, 1994)

Its adoption is thus not only regarded as a "trend", but a "must" to competitors in industry. However, as I have mentioned above, it should not be thought of as a natural development because there is more than one quality assurance system in place, including TQM, the Deming Prize and the Malcolm Baldrige National Quality Award. Before pursuing this matter, it is necessary to note some characteristics of ISO 9000 that distinguish it from other quality standards .

2.3 Some Characteristics of ISO 9000

ISO 9000 standard series is comprised of five components. Of these, ISO-9001, 9002 and 9003 are 'contractual' quality standards, with 9001 intended for use by companies involved in

the design, development, production, installation, and servicing of a product or service. ISO 9002 and 9003 cover comparatively smaller segments of the production chain . While ISO 9002 is a quality standard designed for companies involved in production and installation, ISO 9003 is intended for the processes of final inspection and testing.[1] The other two components are 9000 and 9004, which are essentially 'guideline' standards that offer managers concepts, technology, and guidance to help them in building their own quality systems. ISO 9001-3 are worthy of our special attention as they are the actual quality systems that a supplier must implement in order to become registered to the international standard.

However, one must notice that the ISO 9000 certification "is not a warranty that the firm's products are superior to anyone else." (Prasad & Naidu, 1994) A popular consultant, Mr. T.O. Lee, also stressed in a seminar that "ISO 9000 is not a warranty to success. It is only a basic standard."[2] Stephen Ng, Consultant of HKPC's Quality and Management Consultancy Division, also expresses that "ISO 9000 certification is a big achievement. But it's only a first step, a foundation. It doesn't fully address issues of quality or productivity." (*Productivity News*, 8/1994: p.16) These reservations can be accounted by two factors. First, as experts caution, "it is a quality-process certification, not a product certification" (Sprow, 1992). In other words, the ISO 9000 only means the existence of a sound production process but not necessarily a high-quality product. It can only "enable the supplier to ensure that they have the capability to produce the required goods or services so that deliveries fully meet customer expectations, on time and repeatable." (McHugh, 1995) In addition, "the fact that a supplier's quality assurance system satisfies the requirements of ISO 9000 provides a reasonable level of assurance (but no guarantee) to customer that the supplier's products or services will conform to the customer's specification." (HKGID, 1992) Second, as I will illustrate by some cases in the later chapters, the requirement of certification is not as strict as expected. Variations in the efficacy of the system can be found among the firms having been accredited by different certifying agents. Also, a noteworthy fact is that the certified firms tend to be stick less closely to the ISO 9000's requirements.[3] The effectiveness of ISO-practices are influenced by some factors that will be discussed in detail in Chapter 6.

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[1] For a more detailed comparison among the ISO 9001-3, please see Appendix 2.

[2] This was a seminar organized by Hong Kong Trade Development Council on 28, March, 1995, as a program of Quality Week 1995. The topic of the seminar was "Seminar on ISO 9000 & Trade"

[3] Though regular and sudden inspection may be made to the certified companies by the Certifying bodies, its supervision is not very strict at all. The reasons will be further elaborated in Chapter 6.

Besides, the ISO 9000 quality assurance system is also characterized by its 'third-party assessment.' Unlike the second-party assessment, the most widely used models in the early 1980s, in which the customers assess producers by their own standards, ISO 9000 assessment occurs "when the producer and customer agree that a credible but separate third party will assess the supplier for conformity to a standard such as ISO 9000." (Clements, 1993) The third-party assessment, obviously, serves the purpose of "One World One Standard". Through adopting such an International common standard, companies are supposed to save on costs in auditing the production processes of their trading partners. Put differently, ISO 9000 is a cost-saving strategy because using it producers do not have to follow various different quality assessments required by its different clients.

Thus, the certifying body is very. vital in the certifying and auditing process. The certifying body must be an *independent* body which maintains surveillance on the certified company to assure that it continues working on the requirements of the system. For instance, Hong Kong Quality Assurance Agency (HKQAA), is the largest certifying body now in Hong Kong. (Siu, 1994) Of course, there are many accreditation bodies other than HKQAA including UL Lloyd's, TUV, DNV, CSA, SGS and Inchape. However, "there is no regulation to prevent anyone as a certification body and issuing certification of compliance with ISO 9000". (ibid.) To be a certifying body, one must be accredited by its national accreditation council which is always run by the government agency so as to ensure neutrality. For example, the certifying bodies in Britain have to be accredited by The National Accreditation Council for Certification Bodies (NACCB). Nevertheless, it is noteworthy that a certifying body may be certified anywhere in the world. Some countries may not hold as tough standards as others do. Therefore, the quality of the accreditation bodies themselves also varies.

So far, I have outlined the framework and structure of ISO 9000 but I have not yet mentioned its primary concern and core concepts. Quality is the basic goal of implementing such a system. However, it is not a clearly defined term. According to the published guide book of ISO 9000 series quality standard, quality is "the totality of features and characteristics of a product or service that bears on its ability to satisfy stated or implied 'need'." (HKPC, 1992) Obviously, the definition cannot really sharpen our understanding of it. Therefore, it is

found that the word 'need' is supplemented by the following notes of special features: (1) should be specified or defined clearly; (2) needs can change with time. (periodic revision of specification); (3) needs may include aspects of usability, safety, availability, reliability, maintainability, economics and environment.(ibid.) Another popularly used definition of 'quality' is "'fitness of purpose', or conformity with customers' specifications". As a whole, it can be seen that the term "quality" is only a matter of definition that is determined by the companies adopting the ISO standard. It is because 'fitness of purpose' and "customers' specification's are always subject to the definition of the goods/services suppliers themselves.

Generally speaking, ISO 9000 encompasses "the specific requirements of the necessary documentation, document control, internal quality audits, corrective action, management review and maintaining an effective documented quality management system". (Burchett & Tummala, 1995) The stress on documentation is to reduce the undesirable effects due to staff turnover and relocation. Because duties are supposed to have been written clearly in documents, performances will not be affected even when staff are replaced. And of course, due to the existence of a sound documentation system, the experiences gained in the actual production process become transferable. Hence, the time and labor cost spent in teaching-and-learning can be greatly reduced. Through achieving such a quality production, the companies are believed to have their productivity improved with cost savings to business and a possible increase of profits. As *Regional Notes* claimed regarding the advantages after adopting ISO 9000,

> "The benefits of the ISO 9000 for the eight companies described (cases that have been used to illustrated) can be summed as: better product quality, an enhanced reputation with customers, an ability to reduce throughput time, lower costs of quality and increased job satisfaction for the people. This allowed them to be successful in a very competitive industry." (*Regional Notes*)

However, it must be noted that these are only the stated goals. They are not the promises that must be realized. In this light, what we can gain from the description is that the goal of ISO 9000 sounds to be clear and definite, but it may vary quite a lot because of the fact that 'quality' is always subject to different definitions. Such definitions may vary across time,

situation and firms. And I will show in Chapter 6 how this flexible definition of 'quality' can help organizational actors manage misfit and dissonance.

It is not easy to discuss such a comprehensive system in a few words. Therefore, what I have done above is to sketch some characteristics considered as important by the professionals, such as "the stress on production process, not product itself", "the third-party assessment", and "the ambiguity of quality goals".

2.4 ISO 9000 As An Isomorphic Process In The Organizational Field

From a macro point of view, the more noteworthy feature is that the organizational structures of different organizations may become even more similar with one another. In other words, organizational structures are becoming homogeneous under the flag of ISO 9000. If we regard the industries in Hong Kong as an "organizational field", it can be said that there is a structuration within this field.[4] To construct a concept of organizational field, I adopt the definition proposed by Scott and Meyer. (1991) They suggest that the concept of organizational field should include the following dimensions,

> "(1) attention is directed not only to the linkages among specific organizations but also to the larger structure of relations within which these organizations may function; (2) linkages among both similar and dissimilar organizations of equal interest; (3) both horizontal and vertical linkages are included; (4) both local and non-local connections are examined; (5) both technical and institutional aspects of organizations and environments are viewed as salient." (p.111)

I think this more encompassing definition should be adopted because organizations are to a very large extent influenced by the social environment in which they are embedded. Of course, in such a huge field, organizations of different industries are subject to different degrees of environmental constraints and institutional pressures. However, they still have something in common. In my case, this is their quest for quality production, while ISO 9000 is a common device used in pursuit of this quest. In this light the adoption of ISO can be conceived as an *"isomorphic process"* in the organizational field. It is an "isomorphic process"

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[4] The concept of "organizational field" is always applied to refer a sort of industry, but it can be also extended to a broader horizon. As defined by DiMaggio, "fields boundaries, as they are perceived by participants, affect how organizations select models for emulation, where they focus information-gathering energy, which organizations compare themselves with, and where they recruit personnel". (1991) With respect to this definition, I think the organizations in Hongkong, though of different industries, can be contained in the same organizational field. A more detailed discussion on this point will be provided in Chapter 4.

in two senses. First, the widespread adoption of ISO 9000 implies the organizations' collective movement toward "homogeneous organizational structure which is guided by ISO 9000 standards". Second, interestingly enough, as it will be revealed in the later chapters, other than organizational structures and practices, the discourse on the adoption of ISO 9000 also shows an incredible isomorphism. That is, actors from different organizations tend to employ similar sorts of strategies to make sense of their implementation of ISO 9000. I will examine this extensively in Chapters 5 and 6.

I focus next on the models currently used to account for the isomorphic process. These explanatory models have been commonly used to understand why organizations adopt ISO 9000 standard. I will try to relate these explanations to some theoretical issues, particularly the DiMaggio and Powell's institutional theory of organizations. (1991b) And I will point out the shortcomings of these models and their related theoretical perspectives respectively.

2.5 The Current Models Used To Explain The Popularity Of ISO 9000
2.51 ISO 9000 As A Trade Restriction

One of the most popular theses accounting for the widespread adoption is that ISO 9000 is a necessary condition for making a deal. If you want to market a product in the market, you must have your company certified first. In other words, the adoption of such a quality standard becomes a prerequisite and necessary process before transactions can take place. The following passages are illustrative:

> "A number of large organizations in the United Kingdom, including central and local government have specified, as their policy, that all their suppliers must be certified......." (MuHugh, 1995, p.22)

> "Today, the international standards (ISO 9000) are sanctioned by most nations of the European Community, making ISO 9000 certificate a virtual prerequisite for doing business there." (*Automotive Engineering*, June, 1995: p.62)

> "The need to achieve certification is voluntary but buyers may specify compliance as a requirement. This has been the case with numerous large governmental purchasers including Defense Ministries in The United Kingdom and Singapore and the Department of the Navy in the United States. They have required contract suppliers to have ISO 9000 registration." (MuHugh, 1995, p.22)

> "if you market a product in Europe that is related to health or safety, ISO 9000 registration will most likely be regulated into your company. Currently, the types of products under this regulation include medical devices, construction products, industrial safety equipment, telecommunications terminal equipment, gas appliances, commercial sales and used machinery." (Clements, 1993, p.14)

The above quotations show that ISO 9000 is a business requirement which is necessary in trade. A well known Hong Kong case is that of the construction industry, as the Housing Authority made the possession of ISO certificates mandatory in 1993. From then onwards, all of its contractors and key material suppliers were obliged to be accredited by the international standard. In this regard, the adoption of ISO 9000 is the direct result of the legal requirement. It resembles the case of "coercive isomorphism" identified by DiMaggio and Powell. (1991b) They note that formal pressure can be an important source of isomorphism,

> "coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function." (1991b, pp.67)

In the case of ISO application, the legal requirement therefore functions as a sort of formal pressure exerted upon individual organizations. But I do not think that the above thesis is potent enough to understand the "ISO-phenomenon" for three reasons . First, the vogue for ISO 9000 certification is not confined to the construction industry. It spreads across different industries like electronics, banking and even the public utilities. There is no legal requirement for the adoption of ISO in these industries, but the aspirations for ISO 9000 in these industries are as popular as that in the construction industry. Second, the interesting point is even when the legal requirement had not been issued, construction companies actively sought for the ISO 9000 certification. In addition, it should be noted that whether the laws are enforced "should depend upon the interpretation of the law and the negotiations occurring between countries and within the European Community." (Clements, 1993:14.) However, to play it safe, most of the companies had implemented ISO 9000 before they were asked to do so. Although in DiMaggio and Powell note that " (coercive isomorphism) may be more subtle and less explicit than these examples [in which the imposition of organizational models on dependent

organizations is much more explicit and direct]" (1991b:p.68), they have not told their readers how 'informal', 'subtle' and 'implicit' the coercive isomorphism can be.

I recognize that law and legal requirements can have significant impact on organizational structure and practices, as DiMaggio and Powell suggest:

> "The existence of a common legal environment affects many aspects of an organization's behavior and structure. Weber pointed out the profound impact of a complex, rationalized system of contract law that requires the necessary organizational controls to honor legal commitments." (ibid., p.67)

But I cannot accept it if this is regarded as an automatic process. It is because the imposition of legal requirement may not necessarily imply total compliance. An economic actor can still choose not to play the game by not making deals with the Housing Authority. It should be explained, instead of taking it for granted, that the construction firms have to follow the rules set forth by the Housing Authority. Moreover, as I have mentioned in the first point, most companies do not have the same urge to implement the quality assurance system as found in the construction industry. For these reasons, I do not think that the drive of legal requirement should be the sole force, whether in the construction industry or in other industries where ISO 9000 is not legally required.

Third, the explanatory model also does not inform us of the internal dynamics of organizations which adopt imposed models from external organizations. In other words, the coercive isomorphism does not embrace the decision making process. Do the organizational actors adopt ISO 9000 solely because they are ordered to do so? How do they balance their own interests while following the requests of institutions? Or more generally, how do they make sense of the coercive isomorphism? In order to have an in-depth understanding of the implementation process of ISO 9000, I think we should not miss the actors' sensemaking in the course of implementation. To sum up, I think that the "coercive isomorphism" thesis should be also modified as it neglects the actual decision making process taking place in organizations.

2.52 The Market Driven Thesis

A related but separable line of argument is that the adoption of ISO 9000 is market driven. Simply putting, this thesis suggests that markets drive the organizations to adopt certain kind of practices. As shown in previous examples, the adoption of ISO 9000 is often perceived to be a direct response to the market call. In other words, this model reveals that the producer executes the organizational practices simply because they want to follow customers' demand.

> "ISO 9000 has become a business requirement. Most of the world's large buyers and procurement offices look for quality suppliers". (*SCMP* 2/3/1995, p.6)

> "Although the interest in implementing ISO-9000 standards for unregulated products is market-driven, the marketing is clearly driving it". (Prasad & Naidu, 1994)

> "[T]here is no legal requirement that companies wishing to trade in the EEC should have ISO 9000 registration but those who do so are *likely* to have the competitive edge." (*Automotive Engineering*, June, 1995: p.62)

Unlike the previous thesis, the adoption of ISO 9000 under the market driven thesis is, in most cases, only preferable or 'likely to have the competitive edge'. In other words, producers adopted ISO 9000 as a result of having learnt that the market is demanding it. But this process is never automatic and simple. It involves the acquisition and transmission of market knowledge. It means that there is a process through which organizational actors learn the lesson of 'market driving one to adopt ISO 9000'. Such a process needs further exploration. There are two points worth our attention in the process. First, the market is not something out there. Instead, it is a 'construct' to the producer. For example, White (1981) suggests that the product market is simply a producers' construct built up by a handful of accountable information on markets. The producers themselves, in his regard, are where the market comes from. Such an idea is also reflected in Lant and Baum's (1995) investigation into the Manhattan Hotel Industry. They found that managers in the industry always identify the *competitive set* by taking the relevant firms in the environment into their account. Producers may want to be an active listener to the market, but it is not easy to do so. As market is shaped and reshaped by buyers and sellers from time to time, a consolidated notion of market can only be constructed rather than acquired. Even though some may try to acquire

information by doing consumer surveys, it is nevertheless just a rough understanding of what market is like.

Second, if we consider a customers' opinion (or demand) as a single piece of information, there will be so many pieces of information at hand. Then, how can a producer respond? For example, for a supplier in the public sector, their customers are too numerous to consult. Even if consultation were possible, contradictory information may be the result. Price and quality, for instance, are always the two hottest, though not necessarily conflicting, demands raised by the consumers. How do the producers consider which factor affects them most? The unlimited and incomplete market information generates a feeling of **uncertainty** to the organizational actors. When the market environment creates and generates such uncertain signals, organizational actors will probably model themselves on other organizations within the field. (DiMaggio and Powell, 1991b). It is not hard to understand why organizations undertake modeling behaviors. Obviously, it is to reduce search costs and risks. In this regard, it is a kind of "mimetic isomorphism". With regard to their theory, firms may follow the models of other organizations when they are in face of the following situations, "when goals are ambiguous, or when the environment creates symbolic uncertainty......when an organization faces a problem with ambiguous causes or clear solutions". (ibid., p.69)

Undeniably, the experiences of some firms are unlike the above. Instead of facing uncertainty and ambiguity, they may be unequivocally and directly told that the adoption of ISO 9000 is a requirement or preferable warranty. However, as I will show it later, it occurs in only a few cases. Most respondents claimed that they adopted the practices of ISO 9000 though they had not been asked to do so. It is by their *own observations* that they believe ISO 9000 is a market need or, in their words, market trend. As mentioned, the information of *observations* always comes from the competitive set, not from their customers. However, the mimetic isomorphism somehow leads us to think that managers in organizations do not *make good sense* except saving some search costs when they are modeling other organizations. In other words, their acts are not very sensible at all. Then, can a for-profit organization suffer from that kind of insensible choice? I argue that by considering the rational grounds on which organizations use to make sense of their implementation of ISO 9000 quality standards, it is possible to show that organizational actors are capable of making good sense of it. Therefore,

I will try to complement, instead of refuting, both the market-driven thesis and mimetic isomorphism by bringing in the sensemaking process taking place in the ISO implementation.

To recapitulate, my scheme to refine the explanatory model is to, firstly, clarify the concept of market by identifying both customers and competitors who are the most important sources of information. And secondly, it points out how mimetic isomorphism is related to the market-driven thesis. I also aim to substantiate the rational ground of the mimetic isomorphism. This point will be further elaborated in the empirical chapters.

It is now obvious that the so-called 'market trend' or 'market driven' is not something simply out there. It is constructed and perceived in some specified ways. In my view, it is the institutional force (mimetic isomorphism) which shapes the perception and knowledge of producers, who thus think that they must implement ISO 9000 to match with the 'market trend'. And through matching themselves with the trend, they feel more secure. However, can we regard the acts of following the institutional rule as irrational or insensible? If not, on what ground we can claim they are still sensible? In Chapter 5, I will provide some rational grounds on which organizational actors can make good sense of their mimetic conducts.

2.53 ISO 9000 Is A Product Promoted By Professional Groups

It is currently believed that the vogue of ISO 9000's adoption is the product of the professional groups who urge firms to believe that ISO 9000 is a key to success. The advantages of adopting ISO 9000 are promoted by many different kinds of journals which are viewed as the important references to decision makers in business organizations. Such journals as *Productivity News, Automotive Engineering,* and even the daily newspapers are the very important sources from which executives and managers tap knowledge about markets. Being promoted in such a way, ISO 9000 is perceived as the "thing" that cannot only bring about competitive advantages, but also a more "legitimate" production system.

In addition to the promotion by different journals, the employment of professional managers and staff who graduated from universities and professional training institutions also has significant impact on the fashion of ISO 9000. For instance, the students in engineering in Hong Kong University, The City University of Hong Kong and Technical Institutes as well are

all required to take courses about ISO 9000.[5] That surely serves a very important base for the popular adoption of ISO. It is, in other words, the professionalization which causes the emergence for the vogue of ISO 9000 adoption. In DiMaggio and Powell's account, isomorphic pressure of this type can be identified as 'normative isomorphism'.(1991) According to their account, there are two aspects of professionalization responsible for the isomorphism. First, as I stated before, the formal education received by the supervisory and managerial staff is of vital importance in the adoption of ISO 9000. Second, the professional networks penetrate into the organizations at different levels. For instance, the professional groups like The Hong Kong Trade and Development Council always run seminars for the industrialists. These seminars serve not only as the channels for indoctrinating professional and managerial ideas, but also a social web in which different entrepreneurs and important decision-makers of the organizations can *exchange information* and *define* what is normatively appropriate.

There can be many agents for the promotion of normative isomorphism. First, as mentioned above, the business magazines and journals can be the very important carriers of norms and values. For instance, The *Productivity News* published by the Hong Kong Productivity Council has been strongly promoting the advantages of ISO 9000 as a management device. It opens a 'Quality Corner' for those companies which have been successfully accredited by the international quality standard. As I will show later, the interviewees in the corner express how they *feel* about the adoption of ISO 9000. Of course, their tones are all in favor of the ISO 9000.[6] In return, they also gain from the chance to have free promotion for their companies through the published journal. Second, another strong device through which the normative institution can be reproduced is the hiring of personnel. People arming with the experience of implementing ISO 9000 are welcome by their potential employers. In this regard, staff in the organization may view the problem in a more-or-less the same fashion due to the similar training background. Staff with good experience in ISO 9000 tend to preserve using it as the management device because it is in one's interest to use the management system with which one has been familiar.

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[5] It is by interviews with the graduates of these institutions that the author learned students in industrial engineering department (or manufacturing engineering department in City University of Hong Kong) are required to learn about ISO 9000 and its application in senior courses.
[6] I will show in Chapter 5 why the interviewees tend to say something good about the ISO 9000, rather than saying something bad on it.

Then, what is the problem with this model? It sounds convincing but two remarks are in order. First, it is true to say that organizational actors are influenced by the normative aspect of their environments. But the problem is how this is so. What is the mechanism and how does it work? Must people comply with the institutional environment? Do they still get a place to bargain with that institution? Or to put it differently, is the interaction between people in organizations and the institutions necessarily one-sided? Can they exert influence back onto the institution? Are the organizational actors producing and reproducing the institutions? All these are the questions that we must note before jumping to the conclusion that organizations are determined by the normative isomorphism and that is why they adopt the ISO practice.

Second, the normative isomorphism implies that the organizational arrangement adopted under institutional pressures is not instrumentally rational. Therefore, this model should be more accepted by government agencies because they are concerned about legitimacy as well as efficiency. However, in my cases, the use of the quality assurance policy is even more popular in the private sector. Organizations in the private sector adopting ISO policy expect to be rewarded by enhanced efficiency and quality. Nevertheless, efficiency and quality are difficult to measure. As stated by DiMaggio and Powell, the adoption of such institutional arrangement may "proceed in the absence of evidence that it increases internal organizational efficiency" (1991b: p.73) In the same way, the thesis that "ISO 9000 is promoted by professional groups", or, "the normative isomorphism", needs more substantiation if it is to be applied to for-profit organizations. While organizational actors may respect their professional counterparts in the field, they still have to strike a balance between their own interests and the normative rules. In other words, an organization cannot adopt a policy of little economic worth, even it is strongly promoted by a professional group.

2.54 ISO 9000 As A Result Of Rational Choice

This thesis is a synthesis of the above theses. Many people believe that the adoption of ISO 9000 is a natural result of the above theses. If an organizational arrangement is mandated in trade, driven by market and promoted by professional groups, its popularity is necessary and predictable. In other words, the choice of ISO 9000 is thought to be a result of rational choice.

But this thesis bears an assumption that a good management device is necessarily a generally accepted policy. Actually, I do not think that such a 'logic' always works in reality. Because, again, it assumes the organizational actors to have enough 'rationality' in knowing the alternative and executing it. A great deal of research in organizational studies has revealed that the best may not be the one that people would choose. Simon and March's concept of 'administrative man' (1981), for instance, suggests how organizational actors are cognitively limited. In their regard, economists neglect the complexity and significance of the decision-making process. Simon and March point out that the classical economic theory takes the set of alternatives that an entrepreneur can have as given, but has not explained how they come out. Thus, they challenge most of the assumptions held by the classical theorists. They summarize these assumptions that they consider unrealistic as follow:

> "(1)......that all the alternatives of choice are 'given'; (2) that all the consequences attached to each alternative are known (in one of the three senses corresponding to certainty, risk, and uncertainty respectively); (3) that all rational man has a complete utility-ordering (or cardinal function) for all possible sets of consequences."(1981:136)

The most fundamental breakthrough of their theory is that they do not accept the 'hyperrationality' assumed by the previous work. Instead, they think that the 'subjective and relative character of rationality' should be made explicit in organizational theory. (ibid.) On top of this distinction, a lot of insightful concepts can be found throughout their theory. I will try to examine some of them briefly.

First, they perceive 'choice' as an exercise under the constraints of "limited, approximate, simplified 'model' of the real situation".(ibid.) This can be called as the 'definition of the situation'. This definition does not emerge automatically from the situation. Instead, it is the product of "psychological and sociological process, including the decision makers' own activities and the activities of others in his environment." (ibid.) This view extends our vision on the process through which decision comes out. The final decisions are very 'rarely' the outcomes of rational and meditated calculations. Rather, the problem-solving device is routinized over time.

Second, the traditional assumption of 'utility-maximization' is replaced by 'satisfaction principle'. Because optimization is too costly to implement, most organizational actors tend to select the satisfactory alternative rather than the 'optimal' one which requires exhaustive efforts and unbearable costs of search. In the same vein, marginal improvement is not seriously estimated. In another article March and Olsen (1981) point out that organizations are always subject to 'ambiguity', which further hinders organizations from running rational calculation and decision.

To sum up, I argue that instead of operating with a strictly rational mind, organizational actors always find it too difficult or too costly to make the optimum choice. Consequently, sub-optimal choices are the result. It implies that the goodness of the system itself is not a sufficient condition to explain why it prevails. The success of a particular idea or way of organizing depends very much on how it fits with the institutional environment in which it is embedded. But I have to remind readers that though I do agree that the institutional forces explain a lot about how ISO 9000 becomes popular, the decision-making and sensemaking processes of the organizational actors are far more complicated than what the institutional models could tell us. Although the decisionmaking and sensemaking processes are clearly bounded by institutional environments, it does not mean that organizational actors' voluntarism is of no significance. In Weick's terms, it is the organizational actors who 'enact' their environments. (1981) Therefore, the task in the following chapters is to *bring the sensemaking process back into the analysis*. By that I do not mean I have to reconstruct the sensemaking processes of the organizational actors in every detail. Instead, my focus is on the organizational actors' understanding of the institutions and how they in turn make use of the institutions to achieve their own organizational goals.

2.4 Recapitulation

In this chapter, I have discussed the origin, characteristics and aims of ISO 9000 quality standards. I then briefly described how it is now popularly used in Hong Kong industries which are considered to be an organizational field. Then, I tried to re-formulate the problem with regard to the institutional theory of DiMaggio and Powell. I did so by firstly conceptualizing the ISO phenomenon as an "isomorphic process" across different organizations in the field. I then attempted to understand the current models used to account

for the widespread adoption of ISO 9000 within the framework of institutional theory. The three models, "ISO 9000 as a trade restriction", "ISO 9000 is market-driven" and "ISO 9000 is promoted by the professional groups", are then related to the three isomorphic mechanisms, namely coercive, mimetic and normative isomorphism. The reason why I use the institutional models as my basic theoretical framework becomes clearer when I turned to the last explanatory model, that "ISO 9000 as a result of rational choice". The last model shows why the goodness of a system itself is not sufficient to explain its popularity. I contend that institutions, instead, must be considered as the important vehicle by which organizations are governed or regulated to adopt the ISO 9000 standards. Therefore, the more important and following question is how the institutions work in formal organizations. But I end with some questions about this institutional theory. I think it tends to oversimplify the process of organizational actions. So, I intend to bring the sensemaking process back to the institutional analysis, for I think that the interaction pattern between organizational people and institutions should be re-considered.

But for a fair review on the institutional theory of organizations, we must first capture what it is about and the problems it wants to address. Thus, in the next chapter, I review the institutional theory itself and try to locate how the sensemaking process fits into the theory.

Chapter 3

Institutional Theories of Organization and The Sensemaking Perspective

In the previous chapter, it has been argued that organizations are increasingly resembling each other through the adoption of ISO 9000 international quality standard. In order to understand this isomorphic process, I reviewed the current models accounting for its widespread adoption. On the one hand, it is found that organizations nowadays cannot work as a closed system totally independent of their environment. Neither can an organization work like an "asylum", that is, as "total institutions" which can be "highly sequestered from environments and tightly integrating various aspects of life around a singular plan".[1] On the other hand, while revealing that organizations are in fact shaped by their environments including the state, parent companies, professional groups and other organizations in the field, some revisions still have to be made in these models, which correspond to the institutional framework consolidated by DiMaggio and Powell. (1991b) In other words, while rejecting the view that the 'ISO phenomenon' should be considered purely the result of the individual organizations' technical necessities or rational calculations, I argue that the institutional model used in this paper as a basic theoretical framework should also be revised.

If an organization is not self-contained as such and it is virtually influenced by various institutions of the environment in which it is embedded, the need to understand how these institutions work and how actors interact with them becomes very obvious. Although it is accepted that institutional environments should have significant impact on organizational behaviors, "yet when it comes to more specific questions about how and why institutions affect organizations, it is sometimes difficult to find even two analysts who apparently agree." (Barnett and Carroll, 1993: Pp. 171)

Thus, in this chapter, I will trace the theoretical development concerning how institutions work. I do not plan to give a comprehensive and historical review of the institutional theory of organization for two reasons. First, other scholars have already provided useful reviews. (Perrow, 1986a; Zucker, 1987; DiMaggio and Powell, 1991a; Scott, 1994 & 1995). Second, a

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[1] The idea of "total institution" is discussed in the classic book *Asylums* written by Goffman, 1961, but it is borrowed by Jepperson in his illustration of degree of institutionalization, 1991: Pp. 151.

comprehensive review would require book-length treatment. What I aim to do here is firstly to state what I mean by institution. Secondly, I will distinguish the old institutional school from the new one. The difference can best be described by the cognitive turn in the new model. (DiMaggio and Powell, 1991a) I will then point out why I think the sensemaking process should be brought back into the analysis.

3.1 What Is An Institution?

To ask "what is an institution?" seems to be a simple question. If it is asked to a junior student in sociology, s/he may be able to answer you that an institution, from a sociological perspective, means "an established order comprising rule-bound and standardized behavioral patterns".[2] However, what does it mean in the context of organizational theory? Let me quote a passage on institutions from Douglass North, a renowned economic historian and Nobel Prize Laureate in economics:

> "Institutions include any form of constraint that human beings devise to shape human interaction. Are institutions formal or informal? They can be either, and I am interested both in formal constraints-- such as rules that human beings devise-- and informal constraints -- such as conventions and codes of behavior. Institutions may be created, as was United States Constitution; or they may simply evolve over time, as was the common law. I am interested in both created and evolving institutions, although for purposes of analysis we may want to examine them separately. Many other attributes of institutions also will be explored.
>
> Institutional constraints include both what individual are prohibited from doing and, sometimes, under what conditions some individuals are permitted to undertake certain activities. As defined here, they therefore are the framework within which human interaction takes place. They are perfectly analogous to the rules of the game in a competitive team sport. That is, they consist of formal written rules as well as typically unwritten codes of conduct that underlie and supplement formal rules, such as not deliberately injuring a key player on the opposing team." (North, 1990, p.4)

This quotation covers various characteristics of institutions. It reminds us not only of the formality of institutions, but also their 'ad hoc' nature----both created and evolving. But what is the most remarkable is North's view on the relationship between "human beings" and "institutions". Institutions are the constraints "that human beings devise to shape human interaction". His view on the relationship between institutions and agencies is also reflected in

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[2] This is the definition I borrow from the *Dictionary of Sociology*, edited by Ehrlich, 1991.

his *Structure and Change in Economic History*, which discusses how rulers devise property rights (institution) in their own interests. (1981) Though these arrangements induce extremely inefficient transactions, they were undeniably tailored to fulfill the rulers' interests. It implies that institutions may serve actors' interests. By the same token, I think, we should not be restrict our focus to the constraining aspect of institutions. Rather, we should encompass a North's view that "organizations are created to take advantages of those opportunities, and, as the organizations evolve, they alter institutions". (1990: p.7)

While institutions can be viewed as a set of rules which govern what actors should do in a particular social context, we should not neglect the point that actors are also enabled by institutions in that they may strive to use them to their own and the organization's advantage. Though institutions may not necessarily be produced for actors' interests, actors can make use of them to achieve individual goals. In saying this I do not mean to refute the "constraining" nature of institutions. What I do not accept is that their constraining nature should overwhelm the enabling one. I contend, instead, that in the structuration process of an organizational field organizational actors are playing an active role. They are not merely shaped by their institutional environments but are reproducing and reshaping the latter from time to time. This duality of structure has been neglected in the institutional theory of organization.[3] Hence, in the latter part of this chapter I will show how organizational actors' competence should be restated, if not restored, in the institutional theory of organization.

But, why are institutions so powerful? Traditionally, the constraining nature of institutions has been more recognized, as institutions are perceived as part of an environment external to and unchangeable by individual organizations. This environment "is not reducible to the effects generated by the networks of social behavior and relationship which compose and surround a given organization". (Zucker, 1987: Pp.450) In this sense, institutions may mean something relating to the level of world systems, organizational fields and the professions. Being interpenetrated with the institutional environments on which organizations' structures, legitimacy and routines build, organizational actors may perceive the institutions

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[3] The author's understanding of the institutional environment is inspired by a wide array of studies. However, the concepts of 'structuration' and 'duality of structure' are, obviously, originated from Giddens' structuration theory and his conception of agency and structure. In his view, "structure is not to be equated with constraint but is always both constraining and enabling." (Giddens, 1990:Pp.25)

surrounding them as "rationalized environment". (Scott, 1994) Within this environment, individual organizations can only follow what they are instructed to do and thus look incompetent. Nevertheless, it should be noted that different theoretical perspectives have different views on this relationship. The following review of the old and new institutional theory of organizations will focus on how organizational actors respond to their institutional environments.

3.2 Institutional Theory of Organizations: From Old to New

3.21 The Old Institutional Theory of Organization

The institutional theory of organizations has a long history. Without going into a comprehensive account of institutional theory, I want to clarify the difference between "old and new institutional theory of action". [4] Thus, below I will show how the institutional analysis changed its focus from "values, norms and attitudes" to "classifications, routines, scripts and schema". (DiMaggio and Powell, 1991: p.13) However, readers should not jump to the conclusion that the new theory of institutions disregards the importance of normative aspects of institutions. What is new and remarkable is its unremitting emphasis on the "cognitive nature of organizational behaviors". (ibid.)

Scott's (1995) review of the sociological origins of institutionalism in organizational starts with Weber's theory of bureaucracy which laid the solid foundation for subsequent organizational theories. However, unlike Scott, I focus mainly on the "old institutional theory", which is marked by Philip Selznick's *TVA and the Grass Roots* (1965). Regarding Selznick's contributions, Charles Perrow notes (1986a) that

> "Of all the schools of thought considered in this book (*Complex Organization*), the institutional school is the closet to a truly sociological view of organizations. It combines much of the best, and some of the worst, of sociology as it existed in the 1950s and the 1960s. Its major conceptual framework is that of structural-functionalism, indicating that functions determine the structure and that structures can be understood by analyzing their functions. ....Though not exclusively derived from the writings of Philip Selznick, the school is best represented by his works" (Perrow, 1986: Pp.157)

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[4] The distinction between old and new school of institutionalism is suggested by the neo-institutionalists like Richard W. Scott (1995), Paul, J. DiMaggio and Walter W. Powell. (1991)

From that we learn that Selznick's model best reflects the content of the old institutional theory of organization. Contrary to a closed-system approach, the old institutional school views organizations rather as an open and natural system with an organic character. (ibid.) The organic point of view directs analysts to look at those "unplanned adaptations and changes" taking place in an organization. Such studies as Mayer Zald's (1966) analysis of the Young Men's Christian Association (YMCA) and Joseph Gusfield's (1955) study of the Women's Christian Temperance Union (WCTU) are examples of this approach. The former study revealed that the aim of the YMCA "changed from helping poor migrants from the farm or from abroad, who found the city a fearsome experience, to providing recreation for middle-class suburban youths". (Perrow, 1986a: Pp. 161) A similar phenomenon of goal displacement can also be found in the WCTU which also "had to abandon its attack on drinking per se after prohibition was repealed and change to an attack on middle-class mores and life-styles in general, in order to serve the needs of its members" (ibid., Pp.160-61) In order to survive, organizations have to be co-opted and absorbed by their environments and transform their original goals so as to fit with what is socially sanctioned.

But it is not really fair to regard the work of Selznick as an pure "adaptationist model". As Knudsen points out, an adaptationist explanatory model builds on a rather "loose ad hoc hypothesis" that just analyses organizations at a point of time "as if they were the efficient end result of a process of adaptation". (Knudsen, 1995: Pp148) Rather, we should replace the view of "organization as passive role adapters with a view of organizations as actively role creating". (ibid., p.147) In Selznick's view, this is the organizational actors who voluntarily give up some of their freedom of action so as to further shape the organization's identity for its own sake. Seen from this light, organizational actors are perceived as a proactive collectivity who can integrate the "adaptation moves" with more pragmatic reasoning. His masterpiece *TVA and The Grass Roots* illustrates how this can happen. In this book, he reveals how co-optation took place as a process "absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence." (Selznick, 1966: Pp.259) Since an organization absorbs or adopts the elements required by institutions to maintain its survival and stability, this implies that organizational actors cannot be regarded as incompetent.

Selznick's attempt to understand the organization-institution link is also worth our attention. For him, organization is simply an instrument devised to achieve some specific purposes. (1957) It means, in other words, organizations are dispensable if the specific purposes have been achieved. Institution, on the other hand, is a "natural product of social needs and pressures- a responsive, adaptive organism". (ibid., Pp.5) In this light, the process of institutionalization means "something that happens to an organization over time, reflecting the organization's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment." (ibid., Pp. 16) Here comes a very important concept. The degree of institutionalization virtually determines to what extent an organization is "infused with the value beyond the technical requirements of the task at hand". (ibid., Pp 17) The sources of value may be from political institutions, the social sphere as well as the daily rountized practices. To understand the institution-environment link, one must therefore investigate organizations with reference to their historical development and how they interact with their environments.

From Selznick's work we learn that the meaning of institutions to an organization is that they are mutually affected, changed as well as co-opted. An organization, in this sense, is no longer a closed system which can work on its own goals and be independent of the environments in which it is embedded. One has to notice that the process of institutionalization takes place not only on an inter-organizational level or necessarily external to an individual organization. Instead, it happens also within the organization itself. Therefore, as a leader of organizations, one must "weld the members of organization into a 'committed polity', with a high sense of identity, purpose, and commitment". (Perrow, 1986a: Pp. 167) Politics within the organization is not something hard to understand. For instance, various departments within an university may fight for their own individual interests at the university's expense. Such inter-departmental conflict can be seen in almost every giant organization. I will also illustrate from my cases how these conflicts can come to shape the organizational arrangements in the later chapters.

The central focus of the old institutional theory of organization is on how conflicts of interest, particularly those caused by the differences between institutions and organization, can be resolved by the organizational leader. Scott argues that "Selznick's theory basically utilizes a natural systems model but has been combined with an open systems model".[5] However, though Selznick notices the influence of environment on the organizations, his conception of the environment is somewhat confined to the local community. As DiMaggio and Powell argue, organizations are subject also to the pressures from the field, sector and society wherein they function. (1991a) Other than that, the differences between the old and new institutional school are also reflected from the former's emphasis on "informal structure", while the latter put more emphasis on the importance of "symbolic role of formal structure". (ibid.) Before further moving on to the new institutional school, we must acknowledge some contributions of the old institutional school that the new school inherits.

3.22 Contributions of The Old Institutional School

First, as I pointed out above, Selznick's idea that to "'institutionalize' is to infuse with value beyond the technical requirements of the task at hand" is of vital importance. The neo-institutionalists, Meyer and Rowan (1991) picked up this concept and produced a classic work in the field that I will examine a bit later. On the other hand, Meyer and Scott (1991) have also further developed this concept by defining the two environments confining the organizational development, namely technical and institutional environments. By technical environment they mean "those in which a product or service is produced and exchanged in a market such that organizations are rewarded for effective and efficient control of their productive systems". (ibid., Pp.123) In simpler terms, they are the factors more closely associated with the manifested goal of the organization. By institutional environment they refer to "those characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy". (ibid.) In this sense, this environment matters less to the production of the organization. Though using different terms like task and institutional environments, Carroll and Huo (1986) refer to the similar pressures which constrain organizations. This is also why Orru and his associates (1991) remind us that "there is no reason any organization might not be as subject to competitive factors as to institutional factors". In other words, it is more realistic to consider that an organization is

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[5] This point of view originates from that of Knudsen, 1995: Pp. 161.

subject to more than one sort of environmental pressure. We can thus see that Selznick's division of these two environments has significantly influenced various studies.

The second contribution made by Selznick and the old institutionalists lies in their emphasis on the "active role of organizational actors". As I will elaborate in the latter part of this chapter, though the neo-institutional theory of organization has modified the old theory a lot, not enough attention is given to the active role played by the organizations and the actors within them. This is why Knudsen (1995) contends that we may learn from Selznick's theory to develop a "competence-based view of the firm" even today. In Knudsen's view, Selznick already noted how organizations acquire a certain character or role through the institutionalization process. "It is in this sense that organizations are not seen as passive role adapters, but rather viewed as active in creating their own future role".(ibid., 153) This voluntaristic view on organizational actors is, however, ignored in the new institutional theory of organization. And this is also why I propose to bring the sensemaking process back into the institutional theory.

Third, the old institutional theory of organization has also brought subsequent organizational theorists to pay more attention to the environment outside the organization itself. Though the definition of environment was further extended and revised in the neo-institutionalists' studies, its originality should be also attributed to Selznick and other old institutionalists. Before the advent of institutional theory, organizational studies were preoccupied with the closed-system approach, namely Weber's theory of bureaucracy. Little effort was put on the study of the relation between environments and organizations, or more specifically, institutions and organizations. From this perspective, we can more appreciate how epoch-making the institutional theory was at its time.

Having considered some representative pieces of work produced by the old institutional school, I move to the new institutional theory of organizations.

3.23 The New Institutionalism in Organizational Analysis[6]

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[6] It is in fact the title of the book edited by DiMaggio and Powell in 1991, see bibliography.

Neo-institutionalism also aims to study of how institutions shape, mediate, and channel social choices. As DiMaggio and Powell (1991a) note, there are different versions of "neo-institutionalism" in social sciences, such as that of economics and politics. But they regard the new institutionalism in organizational analysis to be especially sociological. "This perspective emphasizes the ways in which action is structured and order made possible by shared systems of rules that both constrain the inclination and capacity of actors to optimize as well as privilege some groups whose interests are secured by prevailing rewards and sanctions" (ibid., : p.11) I will follow the boundary defined by DiMaggio and Powell in selecting for discussion key contributions to the new institutionalism in organizational analysis.

DiMaggio and Powell suggest the emergence of neo-institutionalism can be dated to 1977, when John Meyer published the two seminal papers. (ibid.) One of these papers "Institutionalized Organizations: Formal Structure as Myth and Ceremony" argued that the formal structure institutionalized through time may not necessarily serve the purpose it originally aims to achieve. For instance, "technical procedures of production, accounting, personnel selection, or data processing become taken-for-granted means to accomplish organizational ends." (1991: p.45) These institutionalized practices can be understood in the light of the widespread, routinized and rationalized institutional structures in society. One of the purposes of following the institutionalized pattern is, therefore, to avoid illegitimacy. Apparently, this work amplifies one of Selznick's points that I have mentioned above. In their view, the institutionalized environment is perceived as a myth rather than something able to guide the production process substantially. Then, what are the sources of power of the formal structure? They write that,

> "Formal structures are not only creatures of their relational network in the social organization. In modern societies, the elements of rationalized formal structure are deeply ingrained in, and reflect, widespread understandings of social reality. Many of the positions, policies, programs, and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of the negligence and prudence used by courts." (ibid., Pp.44)

This suggests that organizational formal structures are the products of complex social environments. These products may or may not serve the original aims and purposes of the

organization, but the organizations must adopt them to avoid illegitimacy and to maintain stability and survive. In this regard, one may query how, if organizational structures are created in a highly institutionalized context (the environment external to an individual organization), and are supposedly these structures are of little practical use, can the organization survive?

Meyer and Rowan find that there are strategies to cope with the tension between the myth and daily operation. First, people can decouple the institutionalized myth from their daily operations easily. Very often, people only response to practical considerations instead of thinking about what they are required to do by formal structures. Second, the decoupling of formal structures from practical action also implies the maintenance of the assumption that people are acting in accordance with the requirements of formal structure. In Meyer and Rowan's words, staff are invested with a good faith that they would work in accordance with the formal structures. Third, a related result is that the inspection and evaluation cannot be 'really' implemented because goals are ambiguously set and evaluation is difficult. Evaluation and inspection can be only done at a face value and superficially, such as by counting the number of credentials and certificates that an organization has. In Weick's words, they are indeed sustained by the 'avoided tests'. (1981)

The breakthroughs Meyer and Rowan have brought about to the field is not only that they uncover the mythical nature of institutionalized formal structures; they also provide readers with those possible organizational actors' coping mechanisms protecting the organization from the undesirable effects of their ceremonial conformities. However, the more important element they have brought to the institutional school is the "taking-for-grantedness" of organizational behaviors. According to them, the "sustainability" of the myth is not so much based on the premise of "efficiency" nor "rationality" but instead is erected more on people's taking-for-granted assumption on both formal structures and human conducts. It is by "the good faith" they believe that people are working in accordance with the requirements of formal structure rather than by frequent surveillance or inspection. Likewise, the existing operation devices like technical procedures of production, accounting, personnel selection, or data processing are "believed" to be the best means to accomplish organizational ends. Behaviors in this light are cognitively guided rather than rationally governed.

The study of Meyer and Rowan has led us to focus on the organizational behaviors beneath the myths. However, what are the forces driving organizations to adopt these myths? They attempt in their article to understand the "origins of rational myths", but it is not really comprehensive enough. For a better understanding of the forces governing "isomorphism", one must return to the account of DiMaggio and Powell (1991b).

3.23a Isomorphic Processes and Mechanisms

As described in Chapter 1, in DiMaggio and Powell's study (1991b), the "iron cage" thesis has been revisited. The iron cage, or highly bureaucratized structure of organizations, is designed to achieve higher efficiency, which is also the pre-determined and irreversible developmental logic of modern organizations according to Max Weber. In other words, it is believed that formal structure is a key to efficiency and the institutionalization process is driven by the need for efficiency. However, DiMaggio and Powell (1991b) contend that bureaucratization and other forms of organizational change occur as the result of processes that "make organizations more similar without necessarily making them more efficient". (p.64) On top of this, what they add into the development of neo-institutionalism is that they elaborate the mechanisms through which institutional isomorphism occurs.

They identify three pressures under which organizations tend to follow the isomorphic practice -- coercive, mimetic and normative. Because I have mentioned them in the last chapter, I will just examine them briefly below. First,

> "Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function." (1991: p.67)

For instance, organizations may change according to the government's mandate that they have to adopt some pollution control technologies so as to conform to environmental regulations. The special feature of this isomorphism is that the "political decisions are applied across the board to entire classes of organizations, thus making such decisions less adaptive and less flexible." (ibid.: p.68) It means, in other words, in order to maintain legitimacy, organizations have to commit to those required practices. But it should be noted that coercive isomorphism does not only exist when organizations conform to government requirements or standards. It

also appears when "subsidiaries are compelled to adopt accounting practices, performance evaluations, and budgetary plans that are compatible with the policies of the parent corporation".(ibid.) Thus, it can be seen that isomorphic pressure comes from both the domains of government and their parent corporations.

Normative isomorphism, on the one hand, originates from the external environment which is mainly constituted by the professional groups and education. On the other hand, it may also stem from the organization itself. The external and internal environment combine to form a normative system composed of values and norms. Norms define what and how things should be done in order to gain legitimacy. As we may know, normative rules empower and enable social action. From this perspective, we can look into how organizations are influenced by the rules and norms in which they are embedded. Isomorphism, in this respect, is the result of the adaptations of organizations to social norms and rules that may not be formally written.

Mimetic isomorphism appears whenever the situation is unclear to the organizations. Thus, this is the response to ambiguous situation by modeling the arrangements on other organizations in the field. The primary aim of modeling is to reduce uncertainty. By borrowing the practices of neighboring organizations, it is not only convenient but also able to reduce risks. "Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful" (ibid., Pp.69) For instance,

> "the rapid proliferation of quality circles and quality-of-work-life issues in American firm is, at least in part, an attempt to model Japanese and European success. These developments also have a ritual respect; companies adopt these innovations to enhance their legitimacy, to demonstrate they are at least trying to improve working conditions" (ibid.)

Fitting oneself with the fashion, or trend, is supposedly to help reduce uncertainty and transaction costs induced by costly searching.

3.23b An Alternative Model Defined By Richard Scott

A similar model is also presented in Scott's book, in which he defines institutions as consisting of three types of structures and activities, namely regulative, cognitive and normative. These aspects of structures and activities are to "provide stability and meaning to

social behavior". Institutions "are transported by various carriers-- cultures, structures, and routines -- and they operate at multiple levels of jurisdiction" (1995: p.33) What he adds into the institutional analysis is the theoretical assumptions associated with the three aspects of institutions. In his book, he has explored the natures of reality and explained the logics of action attached to the three aspects of institutions. I will examine each of them respectively.

First, in his view, "theorists focus on the regulative pillar are more likely to embrace a social realist ontology and a rational logic of action". (ibid., Pp.49) The implication is that these theorists tend to see the environment external to the organization as something real and constraining. In this sense, the environment is out there and can be empirically verified. The logic of action under this pillar is, more precisely, governed by the rational choice of the actor. In other words, organizational actions under regulative pressure seem to be viewed as follow:

> "actions are presumed to have clear preference orderings, to be knowledgeable about the relation of alternatives to consequences, and to act as so as to maximize their preferences". (ibid., Pp.50)

It is indeed parallel with the coercive isomorphism stated by DiMaggio and Powell.

Second, "theorists emphasizing on the cognitive pillar are more likely to work from a social constructionist set of assumptions and to take a broader view of social choice and action, embracing what DiMaggio and Powell (1991a) term as *theory of practical action*" (Scott, 1995: Pp.49) Viewed in this light, institution is something constitutive, rather than something out there as a part of natural world. The cognitive aspect of institution is my particular concern for it is not only a point marking the new from old institutional theory (see also in DiMaggio and Powell ,1991a: Pp.15) , it is also the domain that needs to be further substantiated. Why? As I revealed in the previous chapter, mimetic/cognitive actions in organizations, though "[emphasizing] the practical, semiautomatic, non-calculative nature of practical reason" (ibid., Pp.24), should have their own rational grounds. In other words, what grounds sustain the "habitus" (ibid., p.26) in an organization? One of the possible grounds which sustains the cognitive behaviors may be nested on the information problem in the environment external to organizations, say, market.

Actually, the problem of the flow of information has long been of concern to organizational theorists. Oliver Williamson, following the work of Ronald Coase (1988), argues in his famous book '*The Economic Institutions of Capitalism*' that information on the market is always insufficient, so there is a point where hierarchy is a better mechanism in economizing transaction costs. (1985) His work tells us that information in the market cannot be perfect as does the work of Granovetter. (1985) Unlike Williamson, Granovetter puts more emphasis on how social network matters in economic action. He also notices the existence of "bounded rationality (that) the inability of economic actors to anticipate properly the complex chain of contingencies that may be relevant to long-term contracts". Although the two figures do not intend to stress the inadequacy of the market as a channel of information flow, they regard it as the backdrop for their arguments. Given unlimited information and cognitive limitation, a firm encounters a difficult situation in which it has to 'choose among' and 'make sense of' numerous 'pieces of information' generated in a market. For instance, in the labour market, when a firm has to employ an appropriate person among abundant candidates, all it can count on in the selection process are those potentially relevant characteristics like sex, appearance, religion, national origin, credentials.[7] Among these characteristics, credentials may be used as one of the most important signals by both parties. As credential is something one can more easily manipulate (comparing with that of sex, race, appearance and age), employees may do their best to "beautify" this signal by "acquiring as many credentials as they can" . Employers may by their "historical samples" believe that the level of education and number of credentials are positively correlated with one's productivity. (Spence, 1974)

The choice of appropriate candidates in the labour market suggests some very important sources of cognitive behaviors. Given there are too many pieces of information flowing in market, what an organization can do is just to choose some *accountable* facts which can be useful for selection. The system of choosing candidates according to their education attainment, or more precisely, numbers of credentials (accountable facts), is virtually the most current model used in the organizational field. Such a system for selection is said to have "two aspects of rationality". First, such system has been used by many similar organizations and hence believed to be the one of the best, if not the best, system in existence. Following it means to use a product having been tested by many customers for years. Any defect of the

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[7] The illustration of signaling in job market is borrowed from Spence, 1974

system can be shared by a huge mass of "victims". The new-user is therefore never alone. Second, the system should be also praised for its *accountability*. Though so many candidates may apply for the same position synchronously, the quantity of credential as an accountable signal may be used easily to discriminate whom should be chosen. Spence's analysis of market signaling (1974) explains the process precisely and will be employed in Chapter 5 to illustrate how organizational actors make their senses upon the 'two aspects of rationality'. Imagine if the ISO 9000 standard can also fulfill the "two aspects of rationality", should we still regard its adoption as an irrational or insensible act despite it is a mimetic action in its appearance?

As the cognitive theorists always emphasize on the symbolic nature of institution, they somewhat underemphasize the rational aspect of organizational conducts. It is always a trade-off, of course. Since they focus on 'the important role played by unconscious, taken-for-granted assumptions defining social reality' (Scott, 1995: pp. 78), they have to pay the price of neglecting the rational grounds which sustain the cognitive conducts. This is also why the application of institutional theory of organizations is always confined to the non-profit making organizations. (e.g. Zucker and Marshall's study of *Permanently Failing Organizations*, 1986). Economic rationality is always omitted as the symbolic nature of institution is exalted. My attempt will be, therefore, to bring back how cognitive behaviors rest on some rational grounds, though actors are rationally and institutionally bounded.

Third, "theorists stressing on the regulative pillar [aspect of organizational conducts] fall somewhere between these two camps (the regulative and cognitive pillars), but closer to the cognitive rather than the regulative position". (Scott, 1995: P.49) As revealed in the normative isomorphism discussed by DiMaggio and Powell (1991b), the main carriers of this pillar are professional groups and education. The same query appears again, namely if the ideologies promoted by the professional groups are only sort of "institutional environments" which are not directly related to the production process, how much ceremonial structure and practice implied in these ideologies can an organization take? Beside legitimacy, what advantages can the professional organizations offer to an individual organization that follows tightly the norms defined by former? Lynne Zucker's *The Production of Trust* (1986) sheds very important light on the problem of why institutions emerge and persist. In her account, in some social situations, institutions are capable of providing the society with a source of trust,

which she calls "Institutional-based trust", which is particularly desirable when society was undergoing rapid change. This kind of trust can be used to smooth the friction generated in the course of economic transaction. Provided that the adoption of ISO 9000 standard is also institutionally based, and thus producing a kind of trust which can reduce transaction costs, organizations adopting ISO 9000 should no longer be viewed as acting in the pursuit of legitimacy. Instead, what organizational actors are looking for is more than legitimacy. I will therefore show in chapter 5 how this kind of trust provides a basis for the organizational actors to make sense of their ISO-adoption.

3.24 The Weaknesses Of the Neo-institutional Approach To Organizational Analysis

To sum up, under the three isomorphic processes (or three pillars of institutions defined by Scott), organizational conducts seem to be more understandable. However, from my point of view, they are somehow *far too* understandable and accountable. What I mean is, there is a risk of jumping to a conclusion that organizational behaviors can be totally understood in terms of the institutional settings in which organizations function. Such a conclusion may also lead to an overstatement of the determinant of institutions over individual organizations as well as the organizational actors' amount of passivity. For example, the use of ISO 9000 by an organization is explained by its parent corporation implementing the same quality standard. It means, in other words, the above organizational event is entirely accounted for by the regulative pressure exerted upon organization by its parent company. This statement is not necessarily wrong, but I contend that it should not be accepted too hastily. There are four reasons for my contention.

First, there is a risk of equating the isomorphic pressure with the actor's intention. As I mentioned before, though an organization may be strongly subject to a particular sort of pressure, it can still choose whether to follow the institution. A smooth obedience should not to be taken for granted nor should any form of resistance be deemed as unexpected, because that risks mistaking the coexistence of isomorphic pressures and institution-following conducts as a causal relationship. Second, it is also unreal to say *any organization is subject to only one sort of isomorphic pressures*. By the same token, organizational behaviors can also be accounted for by more than one reason. It should be always borne in mind that the three kinds isomorphic pressure are neither mutually exclusive nor necessarily working alone.

Rather, they may combine to exert irresistible pressure on an organization. As Scott (1995) notes,

> "One possible approach would be to view each of these facets as contributing, in interdependent, mutually reinforcing ways, to a powerful social framework----one that encapsulates the celebrated strength and resilience of these structures. In such an integrated conception, institutions are viewed, as D'Andrade (1984) observes, as overdetermined systems"

While it is not necessary to accept the 'over-determined' view on the combined institutional system, I contend that different institutional pressures may be applied on individual organizations at the same time. Of course, different combinations and weights of isomorphic pressures influence organizations variably.

Third, it is also unreasonable to believe that an organizational actor considers only acting in compliance with the institutional environments while neglecting the economic worth. As I have argued before, rational grounds of these organizational conducts need to be stated. Fourth, even it is a fact that organizational behaviors are caused by the institutional environments, the actors can still make their own sense of these conducts, such as the arguments like we-do-it-because-we-like-it. Thus, I think, it would be both a mistake and a loss if we assert the motivations of organizational actors with reference only to their institutional environments, while without looking into their sensemaking processes.

From Institutional Theory To Sensemaking Process

As a result of the above reasons,

> "much of the literature within the institutional tradition portrays the organization as a passive, reacting entirely entrapped or responding to coercive or cultural forces in its environment.... In either case, researchers in this tradition have eschewed the notion that organizations are purposive, rational actors which goal directed and in control of their fate... This brand of environmental determinism makes the institutional perspective attractive to organizational sociologists who have tired of overly chauvinistic and rational theories of organizational behavior." (Galaskiewicz, 1991: pp.293)

It can be seen that the neo-institutional model of organizations lacks a micro-foundation. (see also Zucker, 1991) Organizational actors seem to have disappeared from the organizational action, as the latter are believed to be determined by the institutional environments. Such a

deemphasis on organizational actors' voluntarism has not gone unnoticed. As DiMaggio (1988) also argues, "it is not that institutional theory denies the reality or importance of goal-directed behaviors", however, institutional approaches to organizations have emphasized factors and circumstances that make "actors unlikely to recognize or to act on their interests" and hence "cause actors who do recognize and try to act on their interests to be unable to do so effectively". (p.4-5) In addition, because the neo-institutional model of organizations considers field or society as a locus of institutionalization, organizational actors are no longer the basic unit of analysis. Organization itself, instead of the actors within it, becomes the basic unit of analysis. (see DiMaggio and Powell, 1991a: p.13) As actors are supposed to act identically in the same institutional environment, they are considered dispensable in the theoretical model.

Moreover, while "institutional theory captures a significant dimension of social and organizational experience that other theories neglect", "it does not in itself constitute an adequate account of the origins, reproduction, and disappearance of institutionalized social and organizational forms". (ibid., p.16) As a result, the pursuit of the "interest-free models", unavoidably, prevents organizational theorist from addressing the problem how organizational actors really make sense of the institutional arrangement.

In my view, however, the deemphasis on agency's interests in institutional theory induces two problems. First, as I have stated just before, organizational behaviors risk lacking their rational grounds. Second, the relation between agency and institution becomes one-sided. As Selznick reminds us, organizational actors are active in creating their future roles rather than being passive role-takers. Therefore, it is important to examine the process of how organizational actors make sense of their acts so as to understand the meaning and rationale they have attached to their behaviors. If the above queries cannot be clarified, the institutional theory of organization may be criticized that its application is confined to those non-profit making organizations like schools, voluntary organizations and hospitals.[8] In Galaskiewicz's (1991) words, we should 'make corporate actors accountable'. Hence, I purpose to bring

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[8] This point is also admitted by DiMaggio (1988) who argues that "institutional theories may suffice to explain most organizational phenomena in certain kinds of fields--for example, those that are highly institutionalized and have a weak technical base (such as banks but not computer software designers) or those in which the legitimacy of member organizations is largely based in the traditional authority (such as churches but not scientific institutes) ." (p.6) See also in Powell, 1991; Mezias, 1995.

back the sensemaking process taking place in organizations. By bringing back the sensemaking process I do not mean refuting the institutions' consequences for organizational performance. Instead, I argue that the institutional forces should be treated as *established cues and cultural tools* with which organizational actors make sense of their institution-following behaviors. As the old-institutionalism believes, organizational leaders (actors) are capable of handling its environment and seeking the goals of organizations even though institutional forces are imposing upon them. Likewise, I also believe that actors in organization should be supposed to take a more active role than that described in the neo-institutional theory. Therefore, the coming discussion will invite the sensemaking perspective into the neo-institutional model, aiming to see how the former can complement the latter.

3.3 What is sensemaking?

3.31 Sensemaking in Organizations

If organizations are viewed "as deliberately designed instruments for the attainment of specific goals"(Scott, 1990, p.38), there is no need to understand how actors feel in an organization. It is because in this vein, organizational process is something smooth, natural and mechanical. However, the view of organization as a rational system which can function independently is not accepted without critiques that we have already mentioned above. It is true to say that organization is originally designed to act in accordance with stated goals. However, actors in it should not be regarded as lifeless components. Instead, organizational actors do have their own interest, conflict, cognitive limitation and affection as well. Therefore, the thesis purposing that institutional environment determines organizational behaviors should not be accepted too fast. Rather, how actors perceive and respond to the institutional environment should become an important question. In order to have an in-depth understanding of the organizational behaviors, one must therefore acknowledge the significance of the actors' sensemaking process.

As Weick points out, "sensemaking is about such things as placement of items into frameworks, comprehending, redress surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning" (1995: p.6) It is "a retrospective process: remembering and looking back are a primary source of meaning". (1993:p.17) Sensemaking is, in fact, "people's attempt to make situation rationally accountable". (ibid.) From that we know things

which happened in the past cannot be changed objectively, but their nature, meaning and significance can be re-defined through the sensemaking process.

Sensemaking is always confused with interpretation. But, "the process of sensemaking is intended to include the construction and bracketing of the textlike cues that are interpreted, as well as the revision of those interpretations based on action consequences. Sensemaking is about authoring as well as interpretation, creation as well as discovery". (ibid., p.8) In other words, the focus of sensemaking study is on the way how people see things and make things sensible. It is unlike interpretation which concerns more about the "sense" finally made. Garfinkel (1967) provides us a very clear distinction by stating that, "if the interpretation makes good sense, then that's what happened" (p.106) When reviewing the decision making process of jurors, Garfinkel found that "facts were made sensible retrospectively to support the jurors' choice of verdict." (Weick, 1995: p.10) Such a retrospective accounting is, however, the usual practices of our everyday lives. A special feature of sensemaking is that decision-making comes before reasoning. In this sense, the meaning of decision is constructed and gathered only when one is looking back.

The question about "sensemaking" is of ethnomethodological interest, because ethnomethodologists are primarily interested in the processes in which reality is accomplished through organized everyday lives, rather than reality and structures accomplished. In Garfinkel's words, "ethnomethodological studies analyze everyday activities as members' methods for making those same activities visibly-rational-and-reportable-for all-practical-purposes." (Garfinkel, p.vii) Nesting Garfinkel's theory into his own context, it can be seen that he aimed to respond to the action theory of Talcott Parsons, who influenced his thought very much. This is why Heritage (1984) stated that ethnomethodology is basically a critique of Parsonian theory. Though being influenced by Parsons, Garfinkel is dissatisfied particularly with his "structuralistic" perspective on social action such that social actors are thought to internalize norms and values imposed by structures automatically. He thinks that Parsons neglects the voluntarism of actors. As an agency, he thinks that human beings should have their roles and subjectivity during their construction of social reality. Therefore, he, as well as ethnomethodology, has been attempting to "bring man back" to the stage of action theory. My attempt in this paper is more or less in the same vein that I also aim to bring organizational

actors back to the institutional theory of organization, particularly by re-discovering their sensemaking progress.

3. 32 The Powerfulness of Sensemaking

Sensemaking is an everyday activity. For instance, we were taught that to attend class in schools was a must when we were children, while we might not really understand and accept that teaching at that age. Having grown up, we may look back and say, "we go to school because we want to learn", "attending school is funny", or "we like going to school since we were young". Interestingly enough, we may change to believe that these "reflections" are really what we had had in mind. By doing that, we do not only regain the "understanding" of why we have gone to school for many years, but also make ourselves believe that our days in school were really full of fun. In saying this I by no means seek to refute the goodness of school going nor to deny the possibility that people like going to school since they were young. What I want to point out is that sensemaking is ubiquitous and so powerful that it may alter our original ways of understanding and even the "facts". In fact, even the institutional theorists have been increasingly aware of the importance of sensemaking. In the concluding chapter of *The Institutional Construction of Organizations* (1995), Scott and Christensen also remind us of the importance of sensemaking in organizations. They also notice that

> "...other institutionalists embrace a broader and more socially embedded view of individual choice: Individuals are viewed as social beings attempting to 'make sense of'---- both in the sense of interpreting and in the sense of constructing ---- their situations. They are not focused on maximizing on utilities but on securing a basis for 'practical action' (DiMaggio and Powell, 1991). They are not governed by individualistic rational criteria, but rather by a desire behave reasonably, taking into account social rules and personal relationships." (p. 303-4)

Organizational actors are no longer deemed working solely by the rational criteria. Instead, they pay more effort to seek a 'secure basis for practical action'. As Scott (1995) notes, some theorists' analysis of the organizational actions also suggests that the latter "seem to be driven more by actors' attempts at sensemaking-- constructing plausible action rationales -- than by narrow instrumental concerns". (p.77). He thus concludes that,

> "much of the behaviour is explained in terms of the individual's needs to make sense of the situation and to appear as a competent actor within it. As situations become more highly institutionalized, individuals accept and follow

social scripts, routines, and performance programs----because they are accepted as 'the ways things are done by persons like me in situations like this'". (p.138)

Notwithstanding the theorists' awareness of the importance of sensemaking, few researches have been produced to fill this theoretical vacuum. Even though we accept that institutional environments do have significant impact on the adoption of ISO 9000, *actors in organizations can still make sense of their adoptions differently*. Like the story I have told before, an organization actor may make him/her believe that the adoption means something else other than the institutional explanation, just like the one who gives a 'new' meaning to his/her school-going days. Thus,

> "Sensemaking in organizations highlights how the sensemaking process----the creation of reality as an ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves----shapes organizational structure and behavior." (Weick, 1995: backpage)

Unlike Garfinkel, the question of how people make sense in organizations implies both voluntaristic and structuralistic points of view. On the one hand, it presupposes the possibility that individuals are able to "make" sense of environments voluntarily. On the other hand, it recognizes that individuals are bounded by their organizational contexts. Powell (1991) also acknowledges the dual meanings of institutions in that "each form of constraint is, in varying ways, also a form of enablement". (p.194) In Weick's words, organizational sensemaking is "to show how organizations structure and are structured by sensemaking process." (1995: p.64) It is thus reasonable to believe that sensemaking process in organizations is both regulated and constitutive. I think, the most important idea Weick has given to his readers is that he identifies the significance of sensemaking perspective in all kinds of organizational analysis. As he says, "whether theorists choose to interpret this scenario as evidence of organizational culture, institutional control, or the exercise of power or politics, at the core lie the processes of sensemaking." (1995: Pp.171) It suggests that no matter which theoretical perspective is used in organizational analysis, the sensemaking process should not be neglected.

Why do organizations deliberately participate themselves in sensemaking behaviors? It is "because of the need for swift socialization, control over dispersed resources, legitimacy in the eyes of stakeholders, measurable outcomes, and accountability." (Weick, 1995: p.171) Therefore, organizations nowadays have to learn to manage more about the *images of their actions*, rather than the action itself, because people "face problems of ambiguity and equivocality, rather than the problems of uncertainty". (ibid., p.186) Learning the right words for the right things becomes the primary concern. In the same manner, if a wrong label has been stamped on the same issue, the whole course of action may become worthless and insensible. This may be why KCR changed their slogans by adding the sentence "for-the-convenience-of-the-other-passengers" beforehand. Motivated by "public interest", the nature of command becomes softened and hence social order within the cabin can be maintained with actors' voluntary compliance. Before further proceeding, there are two characteristics of sensemaking worthy of our particular attentions.

3.33a Sources Of A Good Sense

First, a very fundamental question is: how to make a good sense? In order to 'make situation rationally accountable', actors cannot make sense of happened things groundlessly. Instead, they have to build their accounts, or senses, upon some established and normatively sanctioned grounds. The description given by Weick can enlighten our understandings of a good 'sense',

> "Sense is generated by words that are combined into sentences of conversation to convey something about our ongoing experience. ....Words constrain the saying that is produced, the categories imposed to see the saying, and the labels with which the conclusions of this process are retained." (Weick, 1995: p. 106)

'Sense' is composed of words and the meanings which depend very much on the context in which they are uttered. A good sense thus means right words are used in a appropriate context. Such appropriateness of utterance is, very often, determined by one's compliance with the existing normative structures. In Garfinkel's view, this is 'indexicality' which defines the meaning of words. As Heritage (1984) puts it,

> "The central problem of which the indexical terms present is that the referents of the terms, and hence the truth values of the statements in which they occur, vary with the circumstances in which they are uttered." (pp.142.)

If an organizational actor wants to make a good sense of his/her institution-following behavior, s/he cannot say whatever s/he likes. Instead, one must reason appropriately with reference to the social contexts, which not only provide actors with a list of vocabulary but also define the meaningfulness of the words. In other words, the vocabularies one can use to make a good sense are defined by the established social norms and values. Institutions, in this respect, are the devices with which organizational actors may make a good sense. This is a point where we can link the sensemaking approach with the institutional theory. For an organizational actor, *institutions are viewed as both the extraorganizational and intraorganizational sources of sensemaking.* (Weick, 1995) If the institutional explanation can offer organizational actors a good ground of making sense, the former would be accepted as what has really happened. In opposite, if the institutional explanation is not adequate to be used in accounting, some other sources of sensemaking must be discovered, if not invented.

3.33b The Fragility Of Sensemaking And Its Maintenance

As noted above, sensemaking is a coping strategy used with low level of consciousness to make things that happened around us sensible. Only when the sensemaking devices are interrupted seriously do we notice its fragility. For example, there is an ethnomethodological study conducted by Garfinkel's students who were instructed to act strangely when they went home. (Garfinkel, 1967, p.45-49) They were asked to keep their manners in an abnormally polite and impersonal way. The result was that their behaviors were thought as some kinds of deviance. Their family members tried very hard to employ explanations for their deviant acts. Some of the students were even scolded as immoral or even crazy for they were in breach of the reality that they used to construct. In Garfinkel's terms, it is the 'background understandings' with which social members are supposed to be equipped. This background knowledge, though is not consciously perceived, would be known to be important when the 'normal situation' is breached. In the students' cases, it is shown that the 'normal situation' implies the usual patterns of interaction in the family. The students were supposed to act personally and 'naturally' when they were at home. Without the special instructions of Garfinkel, their acts can be understood reflexively and no problem would arise. Likewise, no member was aware of the importance of the 'usual device of understanding' but only until it

was intendedly breached. Therefore, the effort to protect them from being breached is very important.

The above example shows that sensemaking always operates reflexively and unconsciously. Some may query that such kind of unconsciousness can only be found in individuals' acts. For a rational-bureaucratic organizations in which everything is clarified by written documents, such insensibility is unlikely to happen. However, as Weick argues, "even though organizations appear to be quite solid, in fact much of their substance may consist of spurious knowledge based on avoided tests". (Weick, 1981:p.267) In his view, it may be even a risk that "an organization that is sensitive to the fact that it produces enacted environments will be less concerned with issues of truth and falsity and concerned with issues of *reasonableness*" (ibid., p.276) It affirms a fact that organizations have to deliberately maintain the reasonableness of their acts. Any "misfits", "non-conformities or "dissonance" must be managed to disappear so as to reduce what is thought to be and what it is.

In response to these two characteristics of sensemaking, I shall further illustrate in chapter 5 how organizational actors make sense of their adoption of ISO 9000 with regard to the established norms and values. It will show how organizational actors are capable of making good sense on the institutional sources, something not fully explored in the neo-institutional model. Second, in order to reveal organizational actors' effort of maintaining good sense of ISO-adoption, I will show in chapter 6 how they manage those misfits and dissonance arising to disrupt the sense being made.

3.4 Conclusion

The reasons why I have proposed bringing the sensemaking perspective into the institutional analysis should now be much clearer. First, it is my belief that the institutional environment is enacted by the organizations themselves. It is by the agency that institutional environments become sensible and worth following. Second, sensemaking is also a process of "rationalization", if not justification. If we really mean to discover how organizational actors understand their institutional environments, the work to reveal sensemaking process is indispensable. Third, sensemaking is also an entry, maybe re-entry, into the black box within which the relationship between agency and institutions has been locked. To unlock this black

box, one must therefore examine how organizational actors really make sense of their institutional environments and their responses as well.

Therefore, in the coming three chapters, I will examine the sensemaking process of organizational actors toward their adoption of ISO 9000. Before revealing the sensemaking process, I need to clarify what institutional environments the organizational actors really face. Thus, chapter 4 will be a closer examination of how different organizations are subject to different sets of institutional pressure. It will be shown how the three aspects of institutions are exerted upon individual organizations. The more important point I will show is that these isomorphic pressures are not mutually exclusive but rather they always work together in influencing organizations' decisions of adopting ISO 9000 quality standard.

In response to the first characteristic of sensemaking in organizations, chapter 5 will focus on how actors use both the extraorganizational and intraorganizational sources to make a good sense of their adoptions of ISO 9000 quality standard. It will be shown these extraorganizational and intraorganizational sources of sensemaking are always institutionally based. It will also be demonstrated that, while institutional pressure is exerted upon individual organizations, organizational actors are also enabled by the institutions surrounding them.

On the other hand, the second characteristic of sensemaking in organizations is on the fragility and maintenance of the senses that one has made. In this light, the most noteworthy features in sensemaking process is actors' management of "misfits" or "dissonance". Chapter 6 will focus on the behaviors of that sort.

Chapter 4
A Closer Examination Of Institutional Isomorphism

The previous chapter has traced the theoretical development of the neo-institutional model of organizations, trying to suggest how it can be complemented by the sensemaking perspective. However, it might have seemed to some readers that I aim to refute the existence as well as the significance of institutional pressure experienced by individual organizations. If so, I must repeat that my intention is neither to disregard the institutional pressures which could have significant impact on organizational structure and practice nor to claim that institutional environments do not matter. Rather, I see them as the very important sources with which organizational actors can use to make good sense of what they have done. In this chapter, therefore, I am going to reveal how organizations are influenced by their institutional settings so as to see how institutional pressure matters in influencing organizational conduct.

The aim of this chapter is to examine closely how different isomorphic processes have been exerting pressure upon particular organizations in the field. This leads us to ask, first, if different kinds of organizations in Hong Kong can be put into the same field. Are they too diverse to be put together? Thus, before examining how organizations are subject to institutional environments in which they are embedded, I will firstly explain why I draw the boundary of the field in such an inclusive way. It is followed by a detailed examination of the effects of different isomorphic pressures, namely regulative, cognitive and normative, on different organizations. It is worth noting again that such an account does not imply that individual organizations must be subject to only one sort of institutional pressure nor does it assume that organizational actors are 'institutional dopes' who are loyal followers of institutional calling. Instead, though organizational actors may be exposed to different institutional environments, they could choose to respond to them at the same time. And different aspects of institutions, as I will show later, are not mutually exclusive but rather work interdependently.

4.1: Different organizations are all in the same field

Many studies have suggested that the boundary of an organizational field should be extended beyond the arena where only organizations of the same industry are found. (Scott

and Meyer, 1991:p.111; Powell, 1991: 188; Jepperson and Meyer, 1991: p.207; DiMaggio, 1991: p.286; Borum and Westenholz, 1995; Mezias, 1995: Thornton, 1995, Dobbin, 1995) In their accounts, organizational field should be expanded to "the larger structure of relations within which these organizations may function" (Scott and Meyer, 1991: p.111), "the institutionalized expectations of other firms, consumers and the government" (Powell, 1991: 188), " the institutions of the modern polity which include the state but are not limited to it....they also include, notably, a 'public sphere' of collective discourse and social movements, and a rationalized, or 'civil', society of publicly chartered but formally 'private' bodies and agents <e.g., corporations, enterprise managers, science, professions, and modern individuals>" (Jepperson and Meyer, 1991: p.207-8), "fieldwide structures at the national level" (DiMaggio, 1991: p.286), "not [only] an individual organization or a set of potential competitors, but a set of organizations oriented toward some collective end": (Aldrich and Marsden, 1988: p.383); "inter-firm relationships and structures within the field, as well as by events, relationships, and structures that connect the firms, fields, and wider institutional environments" (Thornton, 1995:203). As a whole, they all point to a fact that the concept of organizational field should not be confined to the organizations of the same industry or just on a local basis. Instead, they suggest that a more encompassing conception of field should be adopted.

In my case, I include almost all kinds of formal organizations in Hong Kong as constituting a field. I have several reasons for such an inclusive conception. First, the industrial globalization makes organizations of different sectors and nations move under the same canopy of the global business culture. For example, Thornton's analysis of Acquisition Waves in U.S. College Publishing Industry (1995) suggests that global business culture has a significant impact on local industry. He argues that the acquisition waves in U.S. College Publishing Industry should be accounted for by the global influences generated from the development of M-form organizations and patterns of CEO (Chief Executive Officer) succession.(1995) It suggests that organizations no longer function solely in a local and self-contained environment. Instead, they are operated in tight connection with the global business culture. The global business culture, as Thornton suggests, may be carried by some professional schools like Harvard Business School, or management consulting companies like McKinsey & Co. As a result, organizations of different production or business lines may tend

to choose the same set of strategies when facing similar problems. The same applies to Hongkong industries in that "the last decade has seen a major shift towards the globalization of industry around the world. No one can now remain insulated from the technological progress and the accent on customer orientation (which is essence of quality) pervading the developed world." (Venuvinod and Tummala, 1995: Foreword) In this regard, grouping all Hongkong industrial and public organizations in the same field does not seem to be too inclusive.

Second, organizations in Hong Kong are all influenced by very similar social and political environments, which are of vital significance in generating institutional pressures. The aspiration for quality production, for example, is the unique feature of Hongkong's political-economic environment. Due to the limited size of the local market, Hong Kong industries are characterized by their export orientation. Moreover, Hong Kong also lacks an industrial policy. As Hong Kong industrialists have to compete in the global arena, the local government has been strongly encouraging them to invest in quality improvement. The efforts of the Hongkong government to promote "quality" are described as follows:

> "Initiatives by the Government include the establishment of the Hong Kong Award for Industry: Quality (formerly known as the Governor's Award for Quality) in 1989, enforcement of the adaptation of ISO 9000 series of standards in the Hong Kong construction industry, encouragement for the inclusion of topics on quality in university curricula, and the organizations of events such as 'Quality Week'". (Venuvinod and Tummala, 1995: Foreword).

It should be noted that the mandatory requirement for ISO 9000 imposed by the Housing Authority on its suppliers has a significant impact not only within the construction industry. Contractors from all industries having dealings with the government may feel the need to have the certificates. The effect spills over to other organizations in Hong Kong, which also think that having ISO certificates is something good as it is mandated by the government. Seen in this light, the state is considered important in defining what is socially appropriate which may induce organizations of different industries to model themselves on the practices of the government.

On the other hand, organizations are also bounded by the social environment in which they are embedded. As I have illustrated before, professional groups are very powerful in defining the legitimate means and ends of organizations, and these definitions are cross-industrial and fieldwide. For instance, the service target of the Hong Kong Productivity Council (HKPC) is not confined to private sector organizations but also covers those in the public sector.[1] Phrased differently, it means that both public and private organizations in Hong Kong are subject to the normative pressure of the same social agencies. In addition, entrepreneurs are also interact within a common social network which has a significant impact on organizational decisions. It can be seen therefore that organizations in Hong Kong, though of different nature and business lines, are nesting atop the same piece of social and political soil.

The view that different organizations function in a single organizational field is also embraced by Venuinod and Tummala. In their foreword to "International Symposium On Total Quality Management (ISTQM'95)", they state that

> "the last decade has also shown a noticeable assimilation of the world trends in 'Quality' by Hong Kong. The Hong Kong Government has taken several steps to promote the quality movement in Hong Kong. The Hong Kong Quality Assurance Agency (HKQAA) has been set up to 'confer recognition on organizations adopting quality management systems conforming to the ISO 9000 series......Hong Kong's industry has complemented the Government's effort towards quality......Hong Kong enterprises have responded positively to industry's quality needs and the Government's initiatives......These are but a small sample illustrating the enthusiasm shown by Hong Kong's enterprises towards quality. (1995: Foreword)

There are two points we can learn from the passage. First, Hong Kong's enterprises are treated as a whole, rather than as highly differentiated and segregated organizations. Second, the launch of the quality movement is attributed to government initiatives.

Last but not least, ISO 9000 itself, the organizational arrangement we focus on also serves as a ground for my conception of the organizational field. ISO 9000 is a quality assurance standard which is not product-specific so it can be used in almost every industry. Its

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[1] The news published and consulting services provided by HKPC covers not only the for-profit organizations but also the non-profit organizations.

implication is, obviously, that the organizational arrangement is applicable to organizations of all kinds. It means all kinds of organizations are brought under the vogue of ISO 9000. This is also why the "isomorphic process" takes place in many different industries as I mentioned in the previous chapter. For this reason, embracing different organizations in the same field seems to be reasonable.

Having given reasons for a more encompassing definition however, one point must be clarified. Though organizations from different industries are regarded as performing in the same field, their experiences of isomorphic pressure need not be identical. While some organizations may be subject strongly to particular sorts of isomorphic pressures, the others may be more influenced by the other sort(s) of pressure, or they may be equally affected by all three sorts of institutional pressures synchronously. The degree to which they are 'infected' by the institutional isomorphism can vary considerably. Moreover, it should also be borne in mind that while the isomorphic mechanism of regulation is more easily and clearly detected as it can be reflected by the existence of "regulators" , the normative isomorphism may function more indirectly. Therefore, it is necessary to examine which organizations are more subject to which type of isomorphic pressure and how they work out. I will firstly trace how each aspect of institutions functions independently. I will then show how different aspects of institutions are, in fact, working interdependently.

4.2 How Coercive/Regulative Institution Works

Before discussing how regulative pressure exerts influence on individual organizations, it is necessary to mention that the origin of regulative institutions is always from the normative aspects of social structures. As noted by Slack and Hinings's study of the isomorphic change of the sport organizations (1994), "because of the networks that have existed for some time between the professionals in government, sport organizations, sport advocacy groups and educational organizations, legislation usually has input from those bodies, so the normative pressures are strong." (p.821) As the state always has to work for the principle of legitimacy defined by the social norms and values, it can be said that the requirement by the state is the result of normative aspect of isomorphism.

In the case of regulative isomorphism, there are two main vehicles driving organizations to adopt isomorphic practices, namely the influence of the state and the parent company. By the influence of the state I refer to direct or indirect pressure from the state or companies to adopt the ISO practices. While the examples of direct influence can be found among the organizations within the construction industry in Hong Kong, there are many cases which involve indirect pressure from the state. For example, Bauhinia, a painting company which undertakes some contracts for the Architectural Services Department and Hong Kong Government's Housing Authority, decided at the end of 1993 to apply for the ISO certificate. Although they understood clearly that the requirement of ISO 9000 by the authority was only applicable to the contractors who wished to submit tenders for government works and it did not extend to suppliers of materials, they thought that "because of our [their] close relationship with government departments, we [they] realize the importance of gaining ISO accreditation". (Case#12) It shows that the regulatory pressure from the state need not be direct but can be "conceived" by the organizations functioning within the field. Functioning like an "epicenter", the state radiates the 'wave' (organizational practice) from its nearest surroundings outward. Very often, the "wave" may be received by someone for whom it is not intended. To play it safe, firms in the field may follow rather than question the 'wave' despite the fact that they are far from the 'epicenter'. The point is that the state coercion may not necessarily be exerted in an direct manner but may work much more indirectly.

Another common source of coercive pressure is from a firm's parent company, from which a local organization gains its technological, financial as well as reputational supports. A typical case is the experience of Ciba-Geigy, a supplier of dyes and chemicals to the territory's textile and leather manufacturers. Its ISO 9002 certification is virtually complementary to the existing status of its Swiss parent division which "has a policy for all its world-wide subsidiaries to adopt the international ISO 9000 standard gradually". (Case #16) Shell's Tsing Yi's installation has also experienced this kind of regulatory force. As a multi-national corporation, "Shell is already ISO-certified across Europe, as are each of its operating companies in Southeast Asia". (Case #4) It seems to be necessary to adopt ISO 9000 practices as their regional offices and headquarters have already done. The same can also be found in the case of a metal-refining company located in Yuen Long. As its parent company in

Germany has been accredited, its adoption of ISO quality standard is believed to be "unquestionable" and "natural". (Case #D)

These examples suggest that the corporate goal of some international firms has been incorporated into that of their local organizations. In face of the regulatory pressure from their headquarters, organizations tend to see the isomorphic process as something unalterable and command-like. In other words, organizational actors are forced to adopt the ISO practices. It appears to support the hypothesis of DiMaggio and Powell (1991b) that "the greater the dependence of an organization on another organization, the more similar it will become to that organization in structure, climate, and behavioral focus." (p.74) As they argue, when an organization comes to rely heavily on a particular supplier or distributor, it necessarily adjusts its structure to fit with the latter one.

However, the dependent position does not necessarily imply smooth obedience because the imported organizational arrangement may not fit in with the original organizational arrangements themselves. Therefore, we cannot assume that the dependent's structure and practices must be in congruence with that of the organization that it relies on. For instance, if the enforced institutional arrangement conflicts with other demands, an organization must consider the cost in following the institutionalized practice. As Powell suggests, "a process of negotiation and compromise may have occurred". (1991, p.196) In the process, the organizational actor may try to hammer out solutions that are somewhat acceptable, if not just tolerable, to both parties. This is, in other words, to realize the dependent's interest while not resisting the isomorphic calling. As I will reveal in the later chapter, Bauhinia, Giga-Ciby, Shell and the metal-refining company have engaged in such a bargaining process through which they could see ISO 9000 more from the enabling aspect and not solely from the constraining and regulatory dimension.

4.3 How Cognitive Institution Works

Unlike the regulative aspect in which the carrier, or regulator, can be clearly identified, the cognitive aspect of the institutional environment is less obvious and harder to study. Given an uncertain and ambiguous environment, an organization tends to adopt a prevailing structure or practice so as to increase its probability of survival. The compelling impact of this aspect of

institutional environment thus becomes more obvious whenever popular organizational arrangements form or uncertainty prevails.

In this dimension, the regulator is no longer a single authority like the state or parent company but the collection of the individual firms in the field. The difference between the cognitive and regulative aspects is, as I argued before, the visibility of the regulation. Under the regulatory institutional environment, organizational actors are less likely to have a choice because they are bounded by one (maybe even more) tangible and visible regulator(s) who explicitly ask(s) for the adoption of similar practices. In the case of the cognitive dimension, the summons to adopt the homogeneous arrangement is 'perceived'. It is more readily perceived when it becomes a conventional practice. As noted in the previous chapters, the conventional practice always evolves over time. Or put it differently, it is a process of institutionalization. The indicator of institutionalization can be reflected in the mimetic process. As Scott (1995) notes, the mechanism that "most clearly captures the cognitive dimension of isomorphic process is imitation: mimetic processes." (p.45)

Under the mimetic process, an organizational actor seeks to behave in conventional ways so as to avoid undesirable 'deviation' from the other actors who are in a similar situation. "One principal indicator of the strength of such mimetic process is prevalence: the number of similar individuals or organizations exhibiting a given form or practice". (ibid.) In other words, the number of competitors having adopted ISO 9000 standards confronts the non-certified companies in the field with strong pressure. Instead of the existence of an 'external' actor who demands the adoption of ISO 9000, the players in the field themselves act as a compelling model to their competitors.

For example, the experience of Elec & Eltek is in line with this argument. Elec & Eltek, a leading Printed Circuit Board (PCB) manufacturer in Hong Kong, has adopted ISO 9000 as a guideline for its management system. The fact that has to be taken into account is that their main competitors from Taiwanese are paying even more attention to the adoption of ISO international standard. It means, Elec & Eltek is subject to strong mimetic pressure from its competitors in the field. In return, its ISO-accreditation is believed to induce more players in the field to follow suit. Elec & Eltek's experience is, in fact, not unique. Mui Lee, the biggest

ship engine manufacturing company in Hong Kong which is planning to market a new product in the European market, also started implementing the ISO program. Its move of ISO adoption is believed to be the result of the fact that a lot of competitors had been armed with the ISO certificates. (Case #C) Given that the adoption of ISO 9000 has already prevailed among its competitors for some time, it would be much 'safer' for it to arm itself with the same qualification. The mimetic process becomes even more intense as the ISO-certified organizations have grown to be the majorities in the field. One example is the electronics industry. Kelvin, the quality assurance manager of an electronics company which specializes in Original Equipment Manufacturing (OEM), believes that more than 50% of the companies in the computer and electronic industry have been ISO certified. The compelling effect exerted by the collection of firms is felt strongly by an individual organization. As he notes,

> "the fact that many competitors in the market have been certified is important to our decision of adopting ISO 9000,.......just if you were the customer, you would also like to pick up a partner with the ISO certificate" (Case #F)

The same logic also seems applicable to the experience of Kaifa Technology, a manufacturer of magnetic heads and electronic goods. According to Mr. Tsang, the company's quality system manager, as more and more companies have obtained ISO certificates, the ISO standard system is becoming an accepted manufacturing concept in Hongkong. (Case #7) Kaifa also believes that the possession of ISO certificate can give a firm a competitive edge in the market.

On the other hand, the mimetic process is also intensified when uncertainty and ambiguity prevail. Organizations may have different goals ranging from social service to maximizing market share but one of their common goals is to reduce uncertainty. This is why Weber thinks that the rational-bureaucratic organization is the most efficient form of organizing in terms of its capability to reduce unexpected changes. Uncertainty arises whenever there are disturbances in information processing. According to Grandori (1987), there are three distinct variables determining the degree of uncertainty.

> "The first of these is task *variability*. In the traditional view, the environment is composed of known objects (clients, competitors, vendors, financial and research institutions, and so forth), but the mix of demands they make on an organization may vary in an unpredictable way. The second variable is

complexity. If the number of environmental variables is very large, the limited information-processing capacity of any organization, however large or flexible, will break down at a certain point. The total amount of attention available in the organization simply will not be capable of considering all the relevant environmental variables and all their connections, with the result that environment will be perceived as uncertain, The third variable is knowledge about the *cause-and-effect* relationships that link organizational actions and environmental conditions to relevant outcomes. It may well be that even if the configuration of environmental variables is known at a certain point in time, there are not sufficient theories, schemes, or rules-of-thumb to help predict the consequences of alternative organizational actions." (p.14)

With respect to the first one, task variability, it can be identified easily in the case of ISO 9000. Today, an individual organization typically has to deal with not only one but many business partners. Not all the numerous demands raised by these partners may be known to the organization. What it can do is to adopt a practice which can supposedly maximize the number of satisfied partners. It fosters the widespread adoption of homogeneous organizational practices. Second, the complexity of the environment also induces feeling of uncertainty as it implies the limited availability of information. As I have noted before, though the requirement of ISO 9000 is only mandated in some industries, organizations from different industries in the field may speculate that it will be mandated in the future. An organization may think that though it is not required by the existing business partners, it should never deny the possibility that it would be requested by partners at present unknown to them. The experience of Mui Lee shows that though it was not required by the existing partners to do so, it is adopting ISO 9000 to meet the just-in-case demand.

In addition, the unknown cause-and-effect relationships cause the environment more unclear. As the cause-and-effect relationship is unclear, claims like 'ISO enhances competitive' can become plausible without proof. Therefore, uncertainty in the environment always accelerates the process of institutionalization. Although some organizations have not been asked to adopt the international quality assurance standard, they are uncertain whether they will be requested to do so. Therefore, the number of companies adopting ISO 9000 exceeds considerably those actually being regulated to use the international standard.

One of the best ways to cope with uncertainty is to make one look 'trendy'. This is why mimetic process is also perceived as a 'trend' in the market. Many respondents stated that it is

a 'trend' to be ISO accredited. Interestingly enough, the reference groups from which they infer the 'trend' are not confined to those of the same production lines or industry. Instead, they take organizations of all kinds in Hong Kong as well as over the world to construct what they mean by 'trend'. For example, Mr. Kan, the director of the training department of the Shun Hing Group, stated that "it is a 'fashion' to adopt ISO 9000 as a quality assurance policy". (Case #H) The examples he gave to illustrate the 'fashion' include the case in Asian countries, the case in construction and electronics industries while his is an business group actively engaged in trading home appliances. It means, in other words, that the trend is not solely composed of reference organizations in his own industry but to the whole organizational field which I defined earlier. The use of the term 'trend' is also found in the interview with Ah Kai, who is the production manager of the above mentioned metal-refining company. In the conversation, he repeatedly emphasized the existence of a 'trend' in the adoption of ISO 9000, while the organizations he referred to in mentioning the trend are not necessarily in the metal-refining industry. (Case #D) This emphasis on 'being trendy' is, as I mentioned above, to reduce uncertainty and its possible damages. By following a 'trend' that many others also follow, organizational actors find a more solid ground to claim they are right, as 'they just follow the trend that any member *bona fida* member of the society would do the same'.(Heritage, 1984) The logic of practical action is, therefore, in the same way, "to create structures to minimize uncertainty-----to construct stable and meaningful social arrangements"(Scott, 1995:p.77) by following what the others who face the same situation would do.

Readers may readily accept that the adoption of ISO practices in the above cases can be explained in terms of mimetic process. I by no means deny this possibility but revealed in the later chapters, the organizational actors can make sense of their ISO-practices beyond what the institutional model has indicated. I also argue that the understanding of the rationalization process of the organizational actors must be contextualized.

4.4 How Normative Institution Works

The main purpose of aligning organizational practices with the normative environment is to achieve legitimacy so as to enhance the chance of survival. As I point out in earlier chapters, normative environment is mainly constituted by the professional groups and

education, which define how things should be done and what norms and rules are. In other words, the behaviors under that sort of pressure are governed by the 'logic of appropriateness' rather than optimality. The terms like roles and duty are good at capturing this logic. Organizations assume some duties themselves because of the normative pressure. A good example can be seen from Kowloon-Canton Railway (KCR), the only railway company running across Hong Kong and Mainland China. As the monopoly in its business, it does not have to face pressure from competitors, though some may argue that the existence of potential competitors (the ones who have not yet joined the business but may join if opportunity comes) might have exerted influence on them, its adoption of ISO 9000 should be attributed to normative rather than the cognitive aspect of institutions. As its technical officer Wilson stated, KCR's adoption of ISO 9000 is more-or-less for its 'public image'. (Case #B) 'Public image' means the representation of the outward form of a thing in the public sphere. In other words, an organization has to present oneself in a publicly noticeable area. The best thing an organization should do to produce a good image is by doing whatever is socially appropriate. As above, the adoption of ISO 9000 promoted by the professional groups signifies 'one's commitment to quality production'. This commitment somehow implies a 'pledge to satisfy its customers'. Although without direct pressure from its competitors, KCR has been adopting the ISO 9000 quality standard to which positive values and legitimacy are attached.[2] Subject to the supervision of the Board of Directors selected from the public domain, it has to do things in a way which is publicly appreciated and valued. Like government agencies, they are concerned about legitimacy as well as efficiency. ISO 9000, as a "pledge to provide better performance and maximize customer's satisfaction", appears to be a policy which can fulfill the public demands and expectations.

Organizations with similar ownership arrangements are all under their normative pressure. For example, Mass Transit Railway(MTR) in Hong Kong is also undertaking the ISO practices though it faces no competitor. It is reasonable to believe that its adoption of ISO 9000 is the result of the public supervision rather than competition. Likewise, the Domestic Projects Business of the Hong Kong and China Gas Company Limited also obtained ISO 9002 certification in 1994. The services manger of the organization, Mr. Li stated that "it

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[2] I use the words 'have been adopting' because the adoption of ISO 9000 quality standard in KCR is in piecemeal fashion that some of its departments are still applying for the certificates while some of its have been accredited.

(the certification of ISO 9002) has sharpened our competitive edge and created an even better public image for us." (Case #5) Organizations of this kind are all monopolies in their market. Therefore, it implies that their adoptions of ISO standards are unlikely to be accounted for by the pressure from their competitors but by the normative pressure emerging within the field.

Normative pressure is mainly imposed by the professional groups and education. Professional groups including the Hong Kong Management Association (HKMA), The Institute of Quality Assurance Branch, Hong Kong Trade Development Council (HKTDC) and Hong Kong and Productivity Council (HKPC) have all been actively encouraging the use of ISO 9000 as organizational management device. In addition, graduates from universities or professional schools like technical institutes have been also indoctrinated the concept of ISO 9000 that its significance should never be underestimated. "The founder members of the group are all engineers, and they have always emphasized quality," said ATR Manufacturing's President and Chief Executive Officer Mr. Tam Siu Wing. (Case #14). Tam's view allows us to infer that graduates in engineering are trained with the emphasis on quality production, and these graduates would put their knowledge into practice. In other words, the argument that values and norms received from education are important is affirmed. It can be also seen that this is a mechanism through which normative values are transferred from professional bodies to individual organizations.

Another interesting example is from the experience of Clothing Technology Demonstration Center Co. Ltd (CTDC), a wholly owned subsidiary of the Hong Kong Productivity Council (HKPC). Its certification is recorded as the first Hongkong enterprise in the textiles and apparel sector to receive an ISO accreditation, while it is believed that its adoption of ISO is closely tied up with its relationship with HKPC. As a subsidiary of a professional group promoting the usage of the International Quality Standard, CTDC's adoption of ISO 9000 seems to be normatively appropriate and encouraged. Furthermore, its success in accreditation also has a demonstration effect on other organizations in the field. As the first one being certified in the garment industry, its effect is not necessarily regulative but tends to be demonstrative. In other words, CTDC's certification contributes very much to the building of normative institution. Furthermore, through its adoption, the normative pressure is extended outward. As the Secretary for Trade and Industry, Mr. T. H. Chau, also warned that

"change is in the wind for the garment sector" with reference to the CTDC's accreditation. (*Productivity News*, 1994, April, p.29)

The exhibitions and activities run by the professional bodies also have significant impact on the industry. For example, the three-day Clothing Industry Fair and the series of seminars in Quality week brought local and overseas clothing manufacturers and managers of other industries together to exchange information on the latest market development technologies. During these programs, the concept of ISO 9000 was strongly promoted. We see, therefore, that the work of the professional bodies has significant impact on the organizations in the field.

As Zucker notes that "organizations are influenced by normative pressures, sometimes arising from external sources such as the state, other times arising from within the organization itself." (1987: p.443, see also in Hannan and Freeman, 1984) An example of norms and values emerging from within the organization itself is the case of C&C Offset Printing company, the first book printer to obtain ISO 9002 certification for its production and quality management systems. The normative pressure to adopt ISO standard does not come from the outside of the organization. As its managing director Mr. Zhuang Xian Qing explained, "since I joined the company eight years ago, we have won many prizes. We print 1,500 titles a year, and the quality of each publication can be affected by each employee at any stage of production, so a long-term strategy for quality is important". (Case #10) It is thus not the normative pressure imposed from the outside professional bodies but the traditions and norms stemming from within the organization itself that pushed the organization to adopt ISO practice. Another organization with roughly the same experience is Titron Media, which has been manufacturing videocassette cases without tape (V-Os) since 1986. As Barbara Yau, the director and general manager at Triton, points out, the philosophy the firm has acquired is a strong quality management. (Case #6) In other words, they consider themselves quality production to be one of the most important organizational goals. In this light, the ISO 9002 certification they earned in March of 1994 can be attributed to their organizational culture.

From the above we see that, while some values and norms are applicable to all organizations, other are only relevant to particular organizations in the field. As Scott (1995) notes, when values and norms are only associated with some organizations, such specialized

values and norms can be termed as 'roles'. (p.38) In other words, it is the roles that some organizations have to take up in order to ensure their survival. For example, the public organizations like MTR and KCR are taking up their role as a 'public service' provider, so that they have to do something at least making them appear to have greater quality commitment. On the other hand, roles are always self-defined. C&C and Titron both define themselves as a company having commitment to quality production and that in turn constrains and enables as well their future actions.

4.5 The Mutual Reinforcement of Institutional Pressures In The Environment

A careful reader may have already noticed that the distinction among the three isomorphic mechanisms is not that clear. First, it has been found that organizations may encounter more than one sort of isomorphic process at the same time. For example, though we have been told that Flextronics was experiencing cognitive or mimetic pressure from within the electronics industry where more than fifty percent of companies have been certified, it had been also subject to the regulative pressure from its headquarters in Singapore. As Kelvin points out, the adoption of ISO 9000 as a management device is virtually a 'corporate goal'. This means that its adoption not only fulfills the calling from the market but also the regulatory power from the parent company. In the same way, Bauhinia's adoption of ISO 9000 also should not be explained only in terms of 'regulative pressure'. As mentioned, the regulatory institution was 'conceived' rather than virtually imposed on them. In fact, the Housing Authority only asked those contractors wishing to submit tenders for government work and it does not include their suppliers of materials. However, Bauhinia as a materials supplier felt 'obliged' to adopt ISO practices. In this regard, it is unreasonable to proclaim that their adoption is not on the basis of their own commitment to the norms. It is more appropriate to say its certification is a product of both regulative and normative institutions.

As noted, the founding members of ATR are engineers and therefore its adoption of ISO 9000 is accounted for by the normative force imposing on its members. But this factor should not be the only kind of institutional force it has to face. As an electronic board assembly, though it claims that it has not taken any pressure from the customers, its adoption of ISO 9000 appears to be mimetic too given most of its competitors in the industry have been accredited. The story of CTDC also teaches the same lesson. As a subsidiary of HKPC, its use

of ISO should not be sensed as only normative but also regulative because the relationship between the two organizations are so close that HKPC may have regulatory pressure upon CTDC which then must act in accordance with the former. The point to be made here is that it is not very sensible to say that an organization is subject to only one sort of isomorphic pressure though it appears to be.

Second, the interpenetration of isomorphic processes is also complicated by the reinforcement process. This means, for example, that though the genesis of an institution may be normative, it may evolve over time that to become also regulative and cognitive. An obvious example can be seen from KCR, whose adoption of ISO 9000 appeared to be normative originally. But as time went by, organizations of a similar nature may model themselves on what KCR did so as to enhance their own legitimacy. It can be seen from the 'quick' response by MTR which applied for its own certificate right after the initial stage of ISO's application in KCR. In this way, the MTR's response would reinforce the urge of KCR to have the certificate by mimetic pressure. The consequence of this stimulus-response model is to accelerate the impact and construction of institutional environment. As noted before, the state's regulation to adopt ISO practice is also the result of normative institutions. In the case of the construction industry, we know that the Housing Authority's mandate to its suppliers is also the consequence of the prevailing concepts of quality and ISO 9000 produced by the professional bodies. Norms and values have been always constructed before the advent of the regulatory process. In fact, the regulative elements of institution is to guarantee the realization of the preexisting norms and values. Viewed from this light, the isomorphic process can be no longer regarded as working individually and separately. Instead, the three elements of isomorphism are reinforcing each others.

To sum up, I have argued three points by the above illustrations. First, as mentioned in Chapter 3, it is unreasonable to believe that in an isomorphic process, an organization is subject to only one sort of institutional pressure. Second, the distinction between the three elements of institutions is analytical rather than separable empirically. Third, the three aspects of institutions, as I have just noted, are always working together to reinforce one and each other. It reminds us of the thesis that an organization's adoption of ISO 9000 is due to the

existence of particular isomorphic pressure needs to be examined rather than assumed to be the causal relationship too quickly.

4.6 Recapitulation

Instead of refuting the existence of institutional environment, my task in this chapter is to show how these institutional environments come to work and even work together. However, the affirmation of institutional environment and its pressure upon the organizations does not necessarily imply the conclusion that the popular adoption of ISO 9000 is solely and automatically the result of institutional pressures. Instead, a more in-depth study of organizational actors' perceptions toward their adoption is still needed. The following chapters will investigate how organizational actors respond to and make sense of their institutional environment and their adopting behaviors. The rational grounds used by organizational actors to make sense of their ISO-practice would be contextualized, thus seeing how they maintain a good account of what they have done.,

Chapter 5
Institutional Sources Of Sensemaking And Its Strategies

The previous chapter tells us how different aspects of institutions work upon some particular organizations and it seems that the institutional explanations themselves are the motivations of the organizational actors. However, such a coexistence should not be taken as causation too hastily. If the institutional explanations are accepted immediately, we may lose the sensemaking process in which actors produce their own definitions and accounts of ISO-adopting behaviours. By stressing solely the social and symbolic forces of institutions on organizational behaviour, organizational actors are seen as institutional dopes whose actions may not be understood rationally and sensibly. I will argue in this chapter that institutional pressures not only bring about constraints to organizational actions but also enablements that allow actors to make good senses. As I mentioned in Chapter 3, there are two characteristics of the sensemaking process worth particular attention. First, there are both extraorganizational and intraorganizational sources by which actors may make good sense of things. Second, actors' endeavours to maintain the made senses are fragile and exposed to ongoing challenges.

Regarding the first point, I am going to investigate the sensemaking process which organizational actors are engaged in during their adoptions of ISO 9000 quality standards. Instead of taking the institutional model as the actors' ultimate definitions of situations, I rather argue that organizational actors' creativity and rationality should be understood contextually. Thus, the sources from which organizational actors draw upon to build up their accounts should be explored. I will delineate my analysis at two levels, namely the extraorganizational and intraorganizational sources of sensemaking. Interests and values within organizations, as emphasized by Selznick (1965), are very important factors affecting organizational moves. Therefore, I will also examine how interests and values at an intraorganizational level affect the decision of adopting ISO 9000. By contextualizing the discussion of ISO 9000, I hope to provide readers with a more comprehensive view on actors' perceptions of institutions and how they may make use of the institutions to realize their own interests. In other words, the enablement of institutions will be revealed in this chapter. It will show that ISO 9000 could be understood as something other than institutional requirements,

such as market signals and buffering devices at the interorganizational level or conflict resolutions and deskilling tactics at the intraorganizational level.

5.1 The Nature Of Sensemaking

Before looking into how organizational actors make sense of their environments and behaviors, readers should be reminded of the meaning of sensemaking. Instead of regarding the social environment as something out there, the sensemaking perspective encompasses a constructionalist's point of view in which "there is no such thing as an ultimate definition". (Weick, 1993:15) Departing from such a viewpoint, the institutional explanations mentioned in the above chapter are therefore not seen as the ultimate and only explanation for the 'ISO-adopting' behaviors. Instead, the sensemaking perspective envisages more on how organizational actors define and re-define their motivations in the course of ISO's implementation. As illustrated by Weick's, sensemaking process is a different game from Mastermind. Mastermind is a game in which players attempt to duplicate the exact patterns of colored pegs created by codemaker. The ultimate answer of this game has been shown clearly behind the covered block, which would be removed either when the players duplicate the patterns successfully or when the game is over. The point is, there is something called 'ultimate answer' and 'true pattern'. In contrast, the study of sensemaking bears a different set of assumptions that things are what they are only when they are looked at in a particular way. In other words, both the definition and the things themselves would be changed upon the alternations of the way of seeing. It is obvious that it is a totally different point of view from that of a social realist, while it is much closer with the theoretical assumptions taken by 'cognitive' aspect of institution. In other words, this perspective puts more emphasis on actors' definitions of situation rather than the 'real situation' one faces.

The news item below may allow us to have a more comprehensive understanding of the sensemaking perspective.

> "AT&T is implementing an elaborate plan to reassess the majority of its employees as it prepares to eliminate some 40,000 of its 300,000 positions, even while maintaining its familial, 'jobs for a lifetime' tradition. To this end, AT&T has issued a 15-page manual that euphemistically describes its 'force management program' whereby employees sit through management 'roundtables' evaluations held by 'facilitators'. According to manual, no one will be 'fired' or 'laid off'; rather, workers who represent an 'imbalance of

forces or skills' at AT&T will be 'unassigned'. AT&T defends its plan as the way to a more dynamic, less bureaucratic company. Meanwhile, the corporate world waits to see whether AT&T will retain any shred of employee loyalty or if its 'corporate family' will remain intact after its calculated mass layoffs". ('Don't go away mad. just do away', *New York Times*, February 13, 1996)[1]

Obviously, AT&T is contracting its size by cutting the number of its staff. However, the organizational actor tries to divert our attention away from this harsh fact by presenting it as a new corporate strategy to further develop its business. The word 'unassigned' is to replace 'fire' or 'lay off' so as to dilute the negative effects of the issue. In other words, it hopes to justify the dismissal of a significant number of staff by a plan which is 'more dynamic' and 'less bureaucratic'. As we see in the above example organizations often engage themselves in such a sensemaking process. And this process helps make the action more acceptable.

It applies also in the case of employment of flight attendants. As Hochschild (1983) points out,

> "'A market for emotional labour' is not a phrase that company employees use. Upper management talks about getting the best market share of the flying public. Advertising personnel talk about reaching that market. In-flight supervisors talk about getting the 'positive altitude' and professional service' from flight attendants, who in turn talk about 'handling irates'. Nevertheless, the efforts of these four groups, taken together, set up the sale of emotional labour". (p.91)

Though it is to recruit and market the 'emotional labour' as analyzed by Hoshschild, different phrases have been used to describe these organizational moves.

In this light we see that the choice of solutions to tackle organizational problems is to be justified rather than self-evident. In Weick's words, "problems, solutions and people all are potential explanations that justify a binding choice". (ibid., p.20) The isomorphism of ISO 9000 in Hongkong industries, likewise, can be viewed differently from the light of sensemaking perspective. The cases in the last chapter show that the organizations faced isomorphic pressures before they adopted the ISO practices. Therefore, it is natural and reasonable for somebody to regard the institutional environment as the mere guiding force.

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[1] This is a piece of article the writer read in the circulation of a computer newsgroup when he was studying in the University of Hawaii at Manoa as an exchange student in 1996. The computer newsgroup includes most of the research students in the sociology department of the University.

However, if we turn to look at it from the sensemaking perspective where 'reasons' of actions are to be given only when one is looking back, we may see a totally different picture.

Actions in organizations, unlike those in private life which can be undone and are invisible and revocable, are 'public, volitional and irrevocable' (ibid., p.19). It makes their explanations 'less casual because more is at stake'. (ibid.) The story of AT&T just mentioned is to tell how important the explanations offered by an organization is in beautifying actions to be done. In other words, people in organizations must make their actions and situations rationally accountable. Explanations as well as justifications must be provided to make past actions understandable and hence sustain the ongoing activities. Imagine if AT&T had not managed to make its dismissal more acceptable, the situation might have turned from 'worse to the worst'. In the same vein, actors may use the institutional explanation to account for their adoption of ISO 9000 if its explanatory power is strong enough to stand alone. However, as I argued in the chapter 3, reasons like 'unconscious modeling on the other organizations' seem not enough to stand with the continual challenges from the repeated questioning in organizational activities. If so, some more comprehensive and solid grounds or sources must be served to protect the institutional explanation. In other words, self-confirmation and justifications have to be produced to rationalize the behaviors or decisions to which organizations have been committed.

Therefore, the coming discussion will focus on how organizational actors make use of the institutionalized environments to support the 'sense' they have made or would make. It will be thus seen that the institutionalized environments not only exert pressure on individual organizations, but also enable organizational actors to make good sense of what they have done. As Scott (1995) concludes,

> "Organizations are affected, even penetrated, by their environments, but they are also capable of responding to these influence attempts creatively and strategically. By acting in concert with other organizations facing similar pressures, organizations can sometimes counter, curb, circumvent, or redefine these demands. And collective action does not preclude individual attempts to reinterpret, manipulate, challenge, or defy the authoritative claims made on them. Organizations are creatures of their environments, but most modern organizations are constituted as active players, not passive pawns." (p.132)

The above description reflects the intention of this chapter accurately, which is to describe how organizational actors attempt to 'reinterpret, manipulate, challenge, or defy the authoritative claims made on them.' As stated above, such an reinterpretation would not be done arbitrarily. Rather, it is conducted with reference to the socially acceptable standards and frameworks so that I term them as 'rational grounds'. I will show readers how ISO 9000 can be seen as a market signal or a buffering device at an extraorganizational level, while showing how it can be also viewed as a 'conflict resolution' and deskilling device within the organizations.

5.2 Extraorganizational Sources of Sensemaking

It sounds risky in using the sensemaking perspective because it seems to lead us to nowhere. One may be afraid whether actors would produce illogical and non-rational reasons for their behaviors. But as I have argued before, actions in organizations, unlike those in our private daily lives, cannot be casually reasoned and explained. Instead, they are expected to be made sense of with reference to some socially acceptable frameworks. In other words, actions need to be rationally accountable and sensible especially in organizational contexts.

The most currently used framework as expressed by the respondents is quite an economic one. It means actions are understood in terms of economic advantages. To say 'economic advantages' is still a rough term, because actions can be thought of as economically rational at different levels of analysis. Thus, in this part, I will try to focus on the economic advantage at the interorganizational level. In simpler words, it is to see how ISO-adopting behaviors can generate economic benefit among different organizations.

Though the economic benefits of adopting ISO have been mentioned in the Chapter 2, the rational grounds for a good justification need not be confined to those reasons offered there. It is because things may be perceived in a different way by the organizational actors. I am not adopting a functional perspective here, but, the ways chosen by actors to see things may fit with such a perspective. Dobbin (1995) reminds us that the existence of most economic systems is not necessarily the result of the fact that they are the most efficient systems at their time. Instead, they might come into existence only because of some historical contingencies. His reminder is, in fact, very well taken here. However, by accepting his

reminder, I do not mean to refute the possibility that the existence of an economic system or institution, say, ISO 9000, may be perpetuated because it saves some, if not all, transaction costs. Though the adoption of ISO may not reduce transaction costs, some organizational actors still employ such a functional perspective as a rational ground for their adoption of the institutionalized organizational practice.

5.21 Market Signaling

One of the most important tasks of the organizations is to mark itself out from its competitive group so as to gain the most competitive advantage. But, how to attain such a goal? It is actually a question of how an organization promotes itself in a market situation. In Spence's terms (1974), it lies in the activities of market signaling.

Though Spence's primary concern is on the job market, the implication of his studies can be extended to markets of all sorts. Resembling the case of the job market, 'an organization does not know, prior to dealing, how good in terms of service-and-product quality another organization will turn out to be'.[2] Given that the organizations entering a deal have never met before, the source of information can only be in forms of indices and signals. Drawing insight from Robert Jervis's *The Logic of Images in International Relations*, Spence distinguishes indices from signals. By index he refers to the 'unalterable attributes', while he uses signal to infer the 'manipulable attribute or activity which conveys information'. (ibid.) The activities to manipulate the signal are called as 'signaling'. It is Spence's interest to study "situations in which people transmit information about themselves in a marketlike situation." (p.107) For example, he argues that junior people in an organization participate in an internal signaling game in which they "invest in activities which win them high marks in terms of promotion" (p.78), while the senior staff there interprets signals so as to determine who is going to be promoted. The same game is also played in admission contexts where candidates strive to present themselves by "test scores and previous educational experiences" in order to get admitted by the schools. Though written in the 1970's, Spence's prediction that 'signaling will in part take the form of various kinds of quality control' (p.110) is proven correct with reference to the case of ISO 9000.

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[2] This is paraphrased from Spence, 1974: p.6

As information is imperfect in the market, the signaling activities become very active and influential. However, not everything can be used as a good signal to a signaler. A signal must be manipulable, accountable, generally acceptable and low in cost. First, obviously, if a signal cannot be manipulated, it is no longer a signal but an index. Second, it is necessary to be accountable because a signal is to be read by another party so its accountability and visibility are necessary. In Spence's terms, a signal must be observable. Third, the acceptability of a signal is particularly important when it is applied not only to one party but many. Education is always used as a powerful signal in the job market also because it is considered valid to almost all kinds of firms. Fourth but not least, a signal is to enhance one's competitiveness so as to increase benefit and profitability. If the cost of signaling is too high to exceed the potential gain it may generate, it is surely not a good signal to the signaler.

In this regard, the use of ISO 9000 as a market signal is very reasonable. First, ISO 9000 can be acquired by organizations of all kinds. It is surely attainable to the signaler. Second, as mentioned in chapter two, the implementation of ISO 9001, 9002 and 9003, which are contractual quality standards, can earn the certificates issued by the certifying bodies. A certificate is something out there that is surely observable. Third, due to the fact that the certification of ISO 9000 is granted by a third-party body, the acceptability of ISO as a signal should be to certain extent guaranteed.[3] Seen from another perspective, a signal can also be conceived as a factor on which trust may be based. According to Zucker's analysis (1986), "institutional-based trust," which is 'tied to formal societal structures', is the increasingly important form of trust in modern society.[4] The trust based on institutional guarantees is characterized by widespread professional certification. It fits closely with the case of ISO 9000 which also heavily relies on the certification of the professional bodies. In this sense, ISO 9000 as a market signal has its own institutional basis which in turn enhances its acceptability. In this regard, ISO as a good market signal is also acceptable. Also at this point, one is able to see how institutions can enable organizational actors to make good sense of what they have done.

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[3] I say "to certain extent" because as I mentioned in the chapter two, the certifying bodies themselves may vary quite a lot that make the validation and acceptability of the certificates they issued differ. But I will further discuss this point in the later chapter.

[4] For the function of the institutions under the situation of quality uncertainty in market, one may also see the analysis by another famous economist, Akerlof, George A. (1970).

As a useful market signal, ISO must not be too high in its cost. It is because if the cost is too high, it may exceed its induced benefits. Zucker has already pointed out that the 'institutional-based trust' itself would become a product sold in market. Thus, it is quite natural to have a price in using the market signal. Cost of ISO-9000 accreditation should be measured not only in terms of money but also human efforts. First, as indicated in a journal,

> "the whole process of obtaining certification can take between 6 to 18 months. and the cost of certification is about HK $100,000. The cost range for consultancy fees can range from for consultancy from HK $300,000 to HK$500,000 per certificate."(*Productivity News*, September, 1994)

It is hard to tell simply from these monetary terms whether the cost is huge or insignificant. But as Wilson the technical officer of the KCR points out, "comparing with the expenditure spent on advertisement in my company, the cost of ISO 9000 is totally insignificant." (Case #B) The same is held to be correct for Mui Lee, who also thinks that "money spent on the adoption of ISO is really an insignificant amount, then, what's the problem to have it?" (Case #C) It can be assured that such cost to a large company which generates more than a billion dollars a year means nothing at all. Even to a medium-sized firm, the half-million expenditure spent on buying a signal is considered to be deserving.

The cost of signaling also includes the human effort spent on it. I argue that it is not thought as costly for three reasons. First, the usage of ISO 9000 quality standards, as expressed by many respondents, matches closely with the system they previously used and so the switching cost is very low indeed.

> "Prior to certification in Hong Kong, the Tsing Yi installation was already operating to established quality procedures, which merely required fine-tuning to bring them into line with ISO 9000 standards" (Case #4)

> "it's also flexible enough to reflect what you've already been carrying out in your own company structure.....The ISO 9002 concept has been designed to align with each company's unique business needs, and so, by adopting its way of organizing data to ISO's globally standardization methods, Titron successfully developed its own Quality System Procedure (QSM)." (Case #6)

> "the process was made easier by the fact that we already had a reasonable system in place which provided a good foundation for further improvement". (Case #8)

"Before the use of ISO 9000, we'd already had a sound system in place...we're using the QCC system. Of course, the implementation of ISO 9000 can be more comprehensive, through its guidelines we can actualize the system...." (Case #A)

"Although it took Theme eight months to meet the requirements for certification (starting the process of adaptation in May last year), it has been following a Total Quality Management (TQM) principle for much longer than that, having introduced its 'quality shrine' as a demonstration of its commitment to the concept." (Case #2)

"As the company grew year by year we started a quality system which came very close to meeting ISO requirements, and so the board decided we should have our quality standards officially recognized by obtaining ISO 9000." (Case #14)

Second, human effort is also saved as the system and experience can be transferred from other branches, departments and organizations which already have ISO 9000 in place. Though it is impossible to duplicate the whole system from an exogenous branch or firm, experience can be borrowed and hence cost can be largely reduced. This may be why many organizations like Shell, Hong Kong and China Gas, Kaifa, C&C, Wang Sang, Bauhinia, Group Sense, ATR, Mobil, Ciba-Geigy, have broken themselves down into different smaller business units to work for the ISO certificates independently. The piecemeal implementation of ISO can not only reduce the difficulty in accreditation, but allow the transfer of the experience gained from the certification of particular branch. For example,

"The Dongguan factory is already using the same quality standard as we are, so there should be very few changes needed to meet the ISO requirements. I also expect it to be easier to convince the mainland staff of the importance of ISO 9000." (Case #14)

"The reasons for the division of the company into small units in applying ISO certificates are obvious: first, it is hard to get the first certificate, but after you get the first, it is in turn hard for the certifying bodies not to certify other divisions of your company; second, complexity is also reduced by such a segregation." (Case #B)

Third, also closely related to the second one, the cost of signaling can also be reduced by the trick that a division's certificate may be used to cover the whole firm. As Spence argues, "firms will integrate horizontally across products to reap the increasing returns inherent in a generalized reputation for quality products". (1974, p.111) It means, firms may make use of

the certification of particular product or business unit to increase the reputation of the firm as a whole. As Wilson reflects,

> "There are many branches in KCR. But up till now, not all of these branches have been certified. Rolling Stock, Maintenance, construction, for instances, are some of the branches have been certified. One must note that they mainly serve the 'internal customers' only. It means, in other words, they are not directly related to the KCR passengers. However, seldom can people really distinguish the differences."

> "It is especially true in the construction industry that the adoption of ISO is in a piecemeal fashion that only one, may be some but not all, construction sites are certified, but it is presented in a way as if the company 'itself' has been certified as a whole. The tricky thing is there are some companies in which only one branch, may be even one production line, has been certified but they use ISO as their Logo as a whole too. It is using the certificate of one branch to 'cover' the whole company. " (Case #B)

Actually, a huge amount of organizations are working for their certification in such a piecemeal fashion. The trick is, whenever it is presented, the honour of ISO would not be separated from the company to exist. For example, people would pose themselves as "Hong Kong and China Gas Co. Ltd has obtained its ISO 9002 certification", rather than "The Domestic Projects Business of our company has been accredited." Recalling the above illustration we know that unlike index which is, relatively speaking, providing more accurate information to the customers, signals are only the devices to tell the receivers that the signalers are somewhat better than the other competitors. In such a way, signals can also be used to confuse receivers as noted.

Making sense of ISO 9000 as a market signal has not been unnoticed by the organizational actors. Actually, they have been actively participating in the signaling activities. For example, they usually advertise in newspapers to tell the field that they have been successfully certified. Mobil, for instance, published a twelve-page 'special collection' to show their success in ISO certification (*Ming Pao*). Besides, the signaling activities can also be found on the namecards issued by those ISO-certified firms. Most of the companies having ISO certification would print the logo of "ISO 9000" on their namecards, which can therefore function as a signal-carrier in the markets where these companies are situated. As Victor the quality assurance manager of a printing company expressed, "organizations in any industries,

if they are ISO certified, are qualified to have the logo of ISO 9000 printed on their namecards, newspaper, or even the letter head" (Case #A) The function of such signaling can best be reflected by the speaker of Hong Kong China Gas Co. Ltd: "it's no use saying you're good, you've got to have something to prove it, ISO 9002, being as recognized worldwide as a quality standard, is a good way of showing quality achievements". (Case #5) Besides, it can be also reflected from other actors' consciousness of the signaling effects.

> "Attainment is viewed by the company as an important, internationally recognized means of communicating to the customer, Shell's ongoing commitment to quality.....ISO 9000 is an important enhancement of our quality image.......Having achieved ISO 9002 accreditation status in our LPG operation, we can further build on customers' confidence in our products and services. This is truly a value-added process for our customers as well as for ourselves. To remain competitive in the oil industry, Shell must be ever-sensitive to the changing needs of our customers". (Case #4)

> "Kaifa believes that the possession of ISO certificate will help the company to maintain its competitive edge by providing its customers with the assurance of International standards. 'Once our customers realize that Kaifa follows ISO standards in its quality operations and procedures, that increases enormously the amount of confidence,.....it is a decision that *reflects Kaifa's desire to uphold its quality image*"[my emphasis] (Case #7)

> "Mr. Lun explained that Wing Sang's hair setter section has already benefited from implementing ISO standards in that the possession of a certificate created a better image of the company to customers." (Case #10)

> "Mobil has concentrated on TQM and this is our real aim----ISO is only the recent tooling. However, TQM is very difficult to measure. ISO certification is one way if showing our commitment to quality and to our customers, a commitment which is regularly measured by certification bodies." (Case #15)

In addition, a respondent also offered an interesting analogy to illustrate how this signaling game works.

> "Given the two competitors are of entirely the same set of competitive conditions, the competitor having ISO certificate is surely more preferable; it is just like the horse-racing game, when there are two horses rushing to the finish line roughly at the same time. To determine which horse is going to be the champion, one must refer to the photos taken. What ISO 9000 can offer is exactly the exposed part in time of photo-taking ."(Case # A)

Such an analogy is also agreed by other interviewees. They also think that ISO is an important signal when your competitor's condition is very similar to that of yours.

Two special characteristics should be noticed here. First, the success of signaling may not necessarily reflect the substantial productivity of a firm. In our cases, the implication is that whether ISO 9000 really leads to higher production quality is not of utmost importance, because the signaling effect is reached regardless of firms' quality and efficiency. It means, in their words, ISO itself is already a good signal to show "their commitment to quality and respectfulness to customers". Second, interestingly enough, the signaling effect may not be as effective as one may have expected but one would likely keep on believing that the signaling activities are of his/her goodness. As Spence notes, "it is not certain that the use of conditional probabilities to evaluate the lottery will result in better decisions. In fact, it has not yet been demonstrated that the conditional and unconditional probabilities will differ at all." (1974, p.8) But one may tend to believe s/he has made a wise choice that s/he used one more signal to market her/himself. In other words, they work in a good faith that ISO is a useful signal in their markets. (Rowan and Meyer, 1991) I think such a good faith cannot be deemed as irrational for it matches with the "two aspects of rationality" I mentioned in Chapter 3. On the one hand, ISO 9000 is a "best practice benchmark", a term used in the consulting industry to refer to the copying of proven-to-be-successful system to one's organization because it is commonly used by the organizations in the field. "Any defect of the system can be shared by huge mass of 'victims' in market". (Chapter 3) On the other hand, as I stated in the beginning of this section, ISO is a good market signal with regard to its manipulability, accountability, acceptability and reasonable cost. Whether it can really improve one's quality and efficiency or not, the signaling effect is to certain extent secured because it has a symbolic meaning attached. Seen from this light, ISO-adopting behaviors should not be considered purely as an unconscious modeling on other organizations but have their strong rational grounds.

5.22 Reduction Of Responsibility----Measures To Cope With Inevitable Risk

Organizations always try their best to reduce uncertainty and the occurrence of accidents but the coming of which is presumably unavoidable. Given that the existence of uncertainty is a kind of "necessary evil", one must therefore minimize the harmfulness caused by it. Let us recall the example of job market again. A firm tends to employ those people who have a stronger educational background. Then, some may argue that education is only a signal to one's productivity, that is, the higher the education one obtains may not necessarily mean s/he

is more productive. This argument is absolutely true. However, the use of education as a signal is still commonly used. Then, why? A hard and fast answer may be that, though education itself may not have infallible positive correlation with productivity, it is still useful under most circumstances. This defense is believed to be strong. By experience one may still want to believe that using education as a signal is better than not using it in predicting one's productivity. However, I contend that this rational ground lies only in the fact that it stands a higher probability to be correct but also in its "ability" in repairing the undesirable consequences that might result. The implication of the story is that, when an organization has wrongly hired a well-educated but unproductive person, it may still justify that "a system having been used by every company for many years can still be wrong, which means mistakes are really unavoidable". In a respondent's terms,

"Accident is really an accident, there is nothing wrong about the assessment" (Case #B)

This point was expressed when Wilson was asked about the reasons of using ISO 9000. He believed that mistakes are inevitable, but you must have some grounds to explain them. The Housing Authority's mandate to its subcontractors is more-or-less the result of this reason. As a government agency which is subject to public supervision, any mistakes it makes may have tremendous effect. Therefore, to protect itself from a potential crisis is extremely important. ISO 9000, as an institutional-based trust, appears to be already promised by another 'powerful' professional agency which to certain extent 'guarantees' a better quality production and commitment of the organization. The choice of a certified firm is, in this sense, much more sensible in that it is supposed to be backed up by another formal organization. In other words, the Housing Authority's choice of a certified tender is 'buffered' by the certifying bodies. In case of accidents, one may easily say, 'accident is really an accident, there is nothing wrong with assessment'. Admittedly, such a proposition is a hypothesis rather than an empirically-verified. A detailed examination on the Housing Authority's response to the undesirable "construction accidents" is needed to verify the statement. However, it sheds light on the argument that ISO 9000 can also serve as a 'buffering device' other than being a market signal.

A 'buffering device' is particularly important when an accident arises. The seriousness of accidents varies. An accident is deemed as extremely serious when it induces great loss of human or economic capital, say, the loss of life. Recalling the historical development of ISO 9000, one may remember that it originated from the British military system. In other words, ISO 9000 was originally designed for the security of life as well as the victory in war. As a set of procedural requirements, it could not guarantee completely the quality of weapons to be produced but it could at least function as an powerful 'buffering device' in case of the failure of production quality. It means, 'accident is really an accident when it occurs.' Obviously, it matches with the argument that a buffering device is especially needed in matters of life-and-death. Such an argument is also substantiated by the fact that the requirement to adopt ISO 9000 in European markets is more likely to be applicable to the industries involving 'health-and-safety' issues:

> " if you market a product in Europe that is related to health and safety, ISO 9000 registration will most likely be regulated into your company. Currently, the types of products under this regulation include medical devices, construction products, industrial safety equipment, telecommunications terminal equipment, gas appliances, commercial sales and used machinery. "
> (Clement, 1993, p.14; also quoted in Chapter 2)

However, the definition of the 'health-and-safety' issues changes with time. For example, the toys industry has been experiencing more pressure to adopt ISO 9000 in recent years. The reason offered by the requiring firms is the 'greater emphasis on toy safety'. This is suggested by the following analysis,

> "subject to increasing consumer safety regulation, the toy industry operates in a highly time-sensitive global market where changing tastes demand ever-faster response times.....It's come, in part, through pressure from the big American buyers who have to deal with more and more safety issues----and they work on the assumption that if you improve your quality, you will make safer toys",
> (The *Productivity News*, August, 1994)

It appears that a more developed society may invent a broader definition of "health-and-safety" issues while the less developed countries may pay less attention to it. Or, the higher the cost of human life in a more better developed society makes the consequences of any life-and-death 'accidents' too costly for firms to bear. As a result, they are more concerned about the adoption of ISO 9000.

The amount of economic capital used in quality inspection is also another important consideration in requiring firms to adopt ISO practices. As mentioned before, products in telecommunications terminal equipment and most of the electronic products are subject to strong regulatory force to have ISO-adoption, at least, up to this stage. It can be accounted for by the fact the cost of inspection is relatively high for the sophisticated nature of these products like electronics and computers. This may be why some companies rely heavily on the quality control carried out by the suppliers themselves. As indicated by Lafe Computer Magnetics Limited,

> "quality control is of the utmost importance, because our customers depend on us to produce defect-free products and, consequently, do not carry out their own incoming inspection procedures for our head assemblies" (Case #9)

Provided that the quality inspection is too costly to conduct, more trust has needed to be placed on the trading partner. In this light, the 'buffering' function provided by the institution should also be taken into consideration in understanding why ISO prevails in these industries. It means that although the institution can never compensate a firm in monetary terms if the latter unluckily chooses a partner producing low-quality goods despite having ISO certification, it can provide the victim with a justification that it is really an accident to choose a wrong partner.

To sum up, I do not claim that the emphasis on ISO 9000 in the above industries is solely the result of its 'buffering' function. But I aim to argue that the 'buffering' function of ISO 9000 does help foster the popularization of ISO 9000 in these industries. And more importantly, the 'buffering' function can serve as a rational ground on which organizational actors can make better sense of their adoption of ISO 9000 quality system.

5.3 Intraorganizational Sources of sensemaking

Making things sensible requires some rational grounds. The above illustration shows how organizational actors could make good sense of economic and social institutions at the interorganizational level. The analysis below will shift our attention to another source of sensemaking which is at the intraorganizational level. In other words, it will focus on how ISO 9000 can be made sensible from within the organizations themselves.

5.31 ISO 9000 as a Conflict Resolution Device

As the old-institutional school argues, interest and social conflicts emerging within organizations are inevitable. As Selznick puts it, "internal interest-groups form naturally in large-scale organizations, since the total enterprise is in one sense a polity composed of a number of sub-organizations". (1957: p.63) "Of course, theorists and researchers, and certainly members of organizations, are aware that conflicts occur continuously between departments and divisions, and among groups within them". (Perrow, 1986a, p.132) It means, internal conflict is a fact of organizational life. There may be a lot of reasons for the rise of conflicts, as Perrow also argues that different schools of thoughts do have different perspectives on conflicts in organization. (ibid.) Notwithstanding, I intend to study two sorts of conflict which I deem are the result of structural, rather than personal, problems. These structural problems, in turn, can be solved by the improvement of organizational structure. The problems that I want to discuss are "misunderstandings" and "fault aversion".

5.31a Misunderstandings

Misunderstanding arises whenever rules are unclear. One of the very important aims in adopting ISO practice is to clarify the working areas of each position. Thus, it is supposed to be helpful in resolving the "misunderstandings". For example, Wilson has suggested how ISO could be used to resolve conflicts.

> "...it is about the resolution of internal conflicts among the colleagues. Before the adoption of ISO 9000, we argue with 'reference' only to our volubility, but now, ISO is like a lawbook which is the ultimate and only source of reference.....How to send you a notice was once controversial, how many days in advance and in what ways were always in disputes...it might even work as such that you're informed at midnight that you had to complete a project before the coming of another day...but now, you may say 'no' to such unreasonable request if it contradicts with the 'rules' written in the 'lawbook'----the working manual made under ISO 9000" (Case #B)

This clearly illustrates that conflicts may arise from misunderstandings resulting from unclear rules. The clarification of rules by ISO 9000 can help clarify these "ambiguous zones". As other respondents express,

"there used to be some grey areas, such as in job definitions and division of labour, so differences could arise as to who should do what. Now this problem doesn't exist any more." (Case #3)

"white space (work with does not seem to be anybody's responsibility) and grey areas (work which seems to be the responsibility of more than one individual or department) were clarified, and procedures for quality systems were developed or improved......Mutual understanding and appreciation among departments have been enhanced, since clear job definitions for each responsible department and individual were made after extensive discussions during the documentation process of the ISO 9002 programme". (Case #5)

In this light, ISO 9000 can no longer be regarded as something having only face value. Though it may not guarantee the improvement of quality, ISO practice can often function as a lawbook to which one may resort in face of conflicts. However, one has to be aware that the value of this lawbook is not necessarily based on its being well written in the sense that comes from defines jobs and obligations in the most efficient way. Its value lies with the trust that it is being a lawbook which nobody would challenge. However, this powerful lawbook can bring unintended negative consequences. This happens when things are ill-defined so that the law may be used as an excuse for doing or not doing something. But, at least, the function as a lawbook cannot be neglected in the first place.

5.31b Fault Aversion

On the other hand, conflicts may also arise whenever there is fault aversion in a company. Departments within an organization have to strive for legitimacy to secure the resources. Legitimacy crisis exists when a department is found to be at fault. For example,

"It is not kidding that the marketing department always has conflict with the production department. The former always puts blame on the latter for its quality of production being not competitive enough. Obviously it is an excuse to justify their inability in marketing and then shifting the burden from the marketing department to the production one. (Case #C)

In order to make itself fault free, the marketing department may accuse the production department of low-quality production. Shifting the burden onto the other department reduces the fault it has to bear. But the coming of ISO 9000 changes the situation.

" It is really funny. The adoption of ISO 9000 implies a dramatic change of departmental relationship. Beforehand, the marketing department always claimed that they could not assess the customers due to the lack of a quality assurance standard. But after the adoption, the production unit may in reverse require the marketing unit to open new markets and compete for new clients." (Case #D)

The installation of ISO system makes the 'low-quality of product' no longer a defense of the marketing department. It means it must work harder to find new clients since the goods produced by the production department are now certified to be of good quality. Certainly, the marketing department is not stupid. They know how to invent new reasons to avert blame even after that. "It is a matter of price when the production department has been qualified by ISO 9000. It means, price becomes the chief factor of competition." (Case #C) What we learn from this is that ISO 9000 can be used as a leverage when interest conflicts exist among different departments. In other words, it reduces the likelihood that excuses be used in 'fault aversion' and that helps departments in an organization reduce conflicts over some issues.

5.32 Labour Control and deskilling device

ISO 9000 places emphasis on the formalization and documentation of the organization. By putting things into written documents, organizations aim to reduce uncertainty and exercise a higher degree of control. The documents required under ISO 9000 not only mean that every policy and procedure is put into writing, they also aim to spell out every policy component in a very detailed way. For example, a policy is broken down into fifteen components as follows:

> "purpose, scope, responsibilities, definitions, associated documents, instructions for forms, policy and procedure instructions, audit statement, customer priority, reference forms, audit checklist, table for contents, reference forms, reviews and revisions, reference forms" (Clements, 1993: p.68)

Of these, for example, the component 'responsibility' includes giving detailed of "job descriptions" which specify the requirements of a particular job. The significance of such formalization is, as Perrow (1991) puts it the following:

> "Formalization meant establishing not only hierarchical chains, but standard operating procedures, rules and regulations......it meant that superior would know what skills the subordinate used (the better to control him or her), could control and change those skills as needed, and subdivide the work to so that wages could be closely matched to the level of skill, thus paying the minimum possible........Standardization tasks reduced the necessary training time and

simplified the work so that more people would be qualified for the job, lowering the employee power.......Specialization is normally thought to mean raising skill levels, and it can mean that. But it can also mean narrowing them, or what has come to be called as 'deskilling'. The growth of bureaucracy entailed both skilling and deskilling." (p.737)

The process of documentation and formalization deskills most workers but a few supervisors can learn more skills through the documentation process. Because the performance of tasks is clearly written, 'it is no longer up to one's decision on how to handle problem on line'.[5] Deskilling implies a reduction of idiosyncrasy between employers and employees. This deskilling is, of course, for the organization's sake as employees are now more dependent on it rather than the reverse. A witty organizational actor suggests how deskilling can be achieved by the adoption of ISO 9000, though s/he may not use the term "deskilling". Instead, they may say "the negative effect brought about by turnover is reduced by a sound documentation system." (Case #D) The implication of 'the reduction of negative effect by turnover' is that workers are now much more dispensable because their skills can be easily replaced. In Williamson's language, the employees' 'firm-specific skills' are now expendable in the course of ISO adoption. (1985) Labours would also be assumed to be less opportunistic because of the unequal market situation. As training time for most jobs is lessened, the cost of labour replacement is largely reduced, thus producing an unequal situation among employers and employees. While the bargaining power of labours as wage dependents is comprised, the employers now benefit from the abundant supply of labour because of the low-level skill requirement of the jobs.(Perrow, 1991)

In this light, ISO can be regarded as a labour control device not necessarily because it is a better inspection system but because it can reduce the cost of labour turnover.

On the other hand, the implementation of ISO 9000 also facilitates achieving organizational goals by grounding legitimate grounds for tightening labour control. With the aspiration for ISO 9000 certification, it is legitimate for the management to tighten their control over the whole course of production. Elec & Eltek, for instance, claims that "the whole group, from the general manager to the staff at the bottom, were united in their aspiration to adopt the ISO 9000 system."(Case #3) It is hard to know whether such unity is

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[5] This is paraphrased from Hoshschild, 1983: p.120.

the result of the voluntary cooperation of the workers or the tightened control during the time. But many respondents claimed that their success is the result of such unity. For example,

> "(Shell)attributes this success (using eight months to gain the certification) to the total commitment of the entire plant to its quality objectives" (Case #4)

> "ISO 9000 certification has improved our team spirit. The whole system runs more smoothly, everybody knows what he needs to do" (Case #10)

> "we accomplished much within a short time because everybody works as a team with a common goal" (Case #16)

These statements suggest that team spirit, if not purely labour control, is enhanced during the period of certification. Moreover, we find by from the statement of Group Sense's speaker that this unity may be the result of "management's ability to motivate the staff to do the necessary extra work" (Case #13) The implication that people are 'encouraged', if not forced to, do more extra work, was manifested by Victor,

> "because most manual instructions are written by technicians, supervisors and managers, who do have grievance towards the increased workload, but the top management level really mean to implement it, so they commence meeting to let the supervisors and managers know, the adoption of ISO 9000 is necessary, no matter how busy you are, you still have to do the work relating to the ISO certification...so their complaints are inevitable, but they still do according to the order...." (Case #A)

Workers under the flag of ISO 9000 have to do more. Whether it is willing cooperation or just a response to commands is not very important. The more important point is "the control over them is reasonably tightened during the time. As Mr. Kan puts it, "getting something to do during the mid-life cycle of a firm is very important" (Case #H) This means the implementation of ISO 9000 allows the organizations to gain more control over the workers. We may never know whether the following description is a result of the workers' voluntary or compulsory participation in the ISO adoption----

> "[Before the report of the final auditing], even the line workers are nervous because they were concerned about the result".

One point is the following, as Leidner (1993) puts it,

> "If the successful completion of the work depends on how workers look, feel and speak as well as what they do, then employers' intervention in these matters can be justified as a legitimate interest in quality control" (p.26)

Though the guidebook of ISO 9000 does not teach that ISO can be a market signal, buffering device, lawbook in case of conflicts and a device to deskill and tighten control, organizational actors may see it as such a 'multi-purpose tool'. Organizational actors can only make use not only of the symbolic meaning of ISO 9000 but also its unintended, if not intended, consequences.

5.4 Sensemaking Strategies

Apart from resting their sensemaking process on rational grounds, organizations enacting their environments also employ different strategies. Three kinds of strategy of are particular interest.

First, in order to justify the act of sensemaking, what organizations can do is to invite more firms to adopt the same practice. It is, in Weick's words, a type of self-fulfilling prophecy because if more actors join their actions, their decisions appear so correct that other organizational actors will follow what they do. Therefore, they would tend to invite more organizations to adopt the same practice so as to fulfill their prophecy that ISO 9000 is going to be popular and widely adopted. For example,

> "(Kaifa) Hopes ISO 9000 can be applied to all manufacturing sectors" (Case #7)

> "If you have a good system, your quality will automatically be upgraded. And in the end, that is definitely the secret to success. If you want to be outstanding and you want to be in this industry in a long time ---you'd better start thinking about ISO 9000." (Case #8)

> "We know that markets are changing, not only in Hong Kong, but around the world, and that ISO certificate is necessary. (Case #12)

> "An ISO 9000 certificate is not an immediate necessity for Hong Kong's watch industry, in the long run this would definitely be instrumental to success.......If you want to be outstanding and you want to be in this industry for a long time--you'd better start thinking about ISO 9000" (Case #8)

> "ISO 9000 is becoming an important consideration for competition". (Case #1)

It seems that certified organizations tend to define that ISO 9000 as a market necessity. This belief serves the purpose of justifying their decisions of adopting ISO practices. This is

also why organizations just mention the merits of the ISO 9000 system in the *Quality Corner*. By so doing, they not only adopt it themselves but also invite others to do so by stating that ISO is an important consideration in future competition.

Second, to confirm the value of their act of sensemaking, it is also useful to amplify the deviations of other organizations. Organizations not having ISO 9000 are thus isolated and condemned. The 'deviant' organizations are then 'sentenced' to be hopeless and unreliable. Weick (1981) has coined this as "deviation amplification". For example,

> "If you don't operate with the quality concept in mind, you shouldn't expect to stay in any field....it (ISO 9000) is to be important not only for the garment but for all trades".(Case #2)

> "Many Hongkong companies currently profit from the inexpensive labor available in the PRC, but we believe that this advantage will disappear in a few years, resulting in a very competitive market. Our group's focus is (in) longer term ---- we aim to maintain our position by setting up a high-technology, high-quality manufacturing capacity" (Case #9)

While Theme predicts that firms not certified can no longer stay in business, Lafe accuses the firms of not using quality system but inexpensive labour. It indicates clearly that the certified organizations define the situation to their own advantage by deeming that firms without ISO 9000 will no longer be competitive and even be eliminated. In other words, some organizations amplify the deviations of other organizations that have not adopted the ISO 9000 quality system to affirm the correctness of their own choices.

Third, a good justification is a powerful tool to bring belief and action into line. Making a good sense can incorporate the past, present and even future actions into a coherent and consistent framework by which actions are much more understandable. In so doing, an actor will provide meanings for the area where s/he has bracketed. Successful reasoning can tie together the happened things with the values and norms together. As Weick notes that "the reader of the extracted portion does see part of herself because her own interests influenced the process of extracting". (ibid., 271) Since one has bracketed a portion of text, s/he must justify why s/he does it in such a way. In the same sense, organizations justify their 'bracketed portions' (the use of ISO 9000) by claiming their adoptions of ISO 9000 as something consistent with their long-term strategy. The interesting point is that the so-called long-term

strategy can later be an invention used to connect the organizational conduct with value systems. As the following examples suggest:

> "we are constantly on the lookout for opportunities to improve on our quality practices----by being consistently responsive to changes in our customers' requirement" (Case #4)

> "We are aiming for consistency of quality and prompt delivery. This is a promise to our customers from all of our staff right up to the Board of Directors level; everyone has to make commitment" (Case #11)

> "In such a competitive world, quality products and services are essential for success, and we want to compete on quality not price." (Case #13)

Actors cannot do everything so they must make what they have done meaningful. The above examples show they may stress that it is their long-term policy to emphasize quality and thus the adoption of ISO 9000 is a very rational move in their context.

Organizational actors enact their environment not only by making sense on rational grounds but also by using specific strategies to shape the environment in their favor. Viewed in this light, actors are not passive and determined. Instead, they can be seen as active agents creating favorable conditions to justify their actions and thus maintaining their survival.

5.5 Conclusion

In this chapter, I have discussed the rational grounds on which organizational actors make sense of their ISO-adopting behaviors. On an interorganizational level, market signaling and buffering devices are as the strong rational grounds. They are characterized by their basis in institutions. If ISO 9000 as a market signal is not based on the professional institutions, it can be expected that its signaling function will be much reduced. In the same way, using ISO 9000 as a buffering device without the cover of institutional environments will sharply reduce its powerfulness. It can be seen how institutional environments are related to the sensemaking process of organizational actors. The latter employs the former as their grounds to reason their actions.

The sensemaking story does not end with people making good sense of the potential advantages of ISO 9000. In terms of actors' efforts, such a sensemaking game may come even

more demanding when some events occur to destroy the original sensemaking schemes. In the next chapter, the focus will be put on how organizational actors manage misfits and inconsistencies in the course of sensemaking.

Chapter 6

The Management Of Misfits And Dissonance

Chapter 5 has shown how organizational actors draw upon extraorganizational and intraorganizational sources to make good senses. On top of the institutional explanations, the various rational grounds on which actors' *accounts* have been built were discussed. In addition, it was shown how different sensemaking strategies are used to manipulate and reinterpret the institutional environments. Although it seems relatively easy for organizational actors to engage in this sensemaking, one must be reminded that good sensemaking can be interrupted by unanticipated events. If so, tactful management is needed.

Not surprisingly, to a sensemaker, the misfits and dissonance arising to challenge one's own original framework are very undesirable. When one is trying to persuade the others that "s/he has been loving to go to school since s/he was young", and someone suddenly spells out that s/he ran away from school many times while a child, some may think that the sense/claim one has just made can no longer be sustained. However, I think this sensemaker could easily resolve the tension between the claims and events. If I were her/him, I would use different strategies to continue the story. For example, I would say "running away from school is itself a part of school life, every child must have tried it before". Or, I may say that the "running away from school rarely happened, I enjoyed most of days in school anyway." If it does not work, I may even say that "running away from school just happened when I was still innocent and didn't understand what school life may mean, as you would see, at a later time, I understood it eventually". This does not exhaust all the possible answers one may give in defense of his/her previous claims. The point is that actors know how to cope with the dissonance either by redefining their claims, re-adjusting their ways of seeing or deferring the explanation. In the same vein, this chapter aims to reveal how organizations employ different strategies to alleviate the tension between their claims and events.

6.1 Dissonance and The Failure of prophecy

A belief is upset when a gap appears between what is believed and what is reality. In psychological terms, it is called 'dissonance'. The classic study of dissonance is Festinger and his associates' *When Prophecy Fails* (1956) which examines how people deal with the dissonance arising from an unequivocal disconfirmation of their original belief. They conducted participant observation in a group of people who believed that a flood would come to destroy the world and only some chosen people would be rescued by a space-saucer from outer space. Yet, time went by and the anticipated thing did not happen. Those people who had acted on this belief by throwing or giving away a great deal of valued personal property had to face the shock from the disconfirmed event. Surprisingly, instead of dropping the belief in the coming flood, most retained it by rationalizing the 'unrealized prophecy' through social support. Some even engaged in proselytizing those with the disconfirmed faith. The study tells us how people manage the discomfort induced by the dissonance.

There are three forms of responses to eliminate or reduce the dissonance. People may eliminate the dissonance simply by changing their beliefs, opinions or behaviors (ibid, 26). However, if they have committed themselves so strongly to the belief, it is difficult for them to discard their belief immediately. In an organizational context, it would be even more difficult because actors' behaviors are subjected to public supervision and supposed to bear a more significant and widespread effect. For this reason, the dissonance cannot be solved simply by discarding the original belief. Instead, attempts to paper over the gap can take the form of rationalization or justifications. The disconfirmation of belief in the cases of organizations I studied is not as drastic as the case studied by Festinger et. al. It is still possible for the organizational actors to eliminate their dissonance.

As stated in chapter 2, organizations intend to achieve some goals through the implementation of ISO. If these goals have not been achieved even after ISO implementation, what can a firm do? This is of course exactly the dissonance problem discussed above. If the prophecy that adoption of ISO can achieve a higher quality production falls, how will the organizational actors respond? Dissonance also emerges when a believed-to-be-good system results in some undesirable results like ambiguity and labour resistance. Organizations have to

offer explanations for it rather than ignoring it. Of course, the rational grounds discussed in the previous chapter can serve to defend its weaknesses. But a capable organization tends not to endure these potential tension and would likely offer explanations to resolve the dissonance. In this chapter, I analyze how organizations re-interpret their belief in ISO 9000 to reduce or dominate the emerging dissonance.

6.2 The Puzzle Of Quality And Efficiency Improvement

In *When Prophecy Fails*, the "Seekers" were shocked by the fact that they were not picked up and taken to the promised land by the space-saucer. In the case of ISO 9000, what is the promised land? As a quality assurance system, ISO 9000 should be able to bring its followers to situation characterized by better-quality and more efficient production. But, if these promises cannot be realized, how will the organizations which invest in the quality policy respond?

I first suggest three reasons why ISO 9000 cannot bring its followers to the promised land. I then reveal how organizations resolve the dissonance.

6.21 The Shortcomings Of The System

The enhancement of quality and efficiency is the basic goal that the implementation of ISO 9000 aims to achieve. Unexpectedly, it is found that many corporations show no improvement despite implementing the ISO standards.[1] Why does not adoption of ISO standards lead to substantial improvement?

First, as noted in Chapter two, the ISO 9000 system itself does not ensure that firms will improve their production quality. As many experts warn, 'ISO 9000 is just a quality-process certification, it does not fully address the issues of quality or productivity'.[2] A system built using ISO 9000 cannot therefore guarantee improvement in quality and productivity. As a respondent puts it,

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[1] These phenomenon were reported in many newspaper and magazines, such as *Ming Pao*, 2/25, *Commonwealth Magazines, 1994: November, 11*.

[2] See the discussion in Chapter 2.3 *The characteristics of ISO 9000*.

"Many people ask why they still have goods rejected and returned after their implementation of ISO 9000. It is because they don't understand ISO 9000 is just a game, or you may say, an insurance by which nothing can be assured!" (Case #C)

Why cannot the system achieve even its basic aims, given that the system has been widely adopted? To understand this, we need to consider how people in organizations really feel about and comprehend the system:

"ISO itself does not talk about improvement, ...it does not ensure any improvement, it tends to be preventive, making your process to be stabilized....but if your company is inefficient in the first place, it only means furthering your inefficiency.....because you have made all the organizational charts, documents and manuals, you tend not to change it after the adoption of ISO 9000" (Case #B)

.....[then, how did the company get through the auditing process?] Assessment can only show how you run the system, but in fact it cannot really see if the system is efficient or effective, what it focuses on is whether the system fits with that of ISO----but ISO never asks you to build up an efficient system, neither is there any valid indicator nor concrete definition about efficiency....for example, the system requires us to subject a toy to inspection and then get it packed only after it is hundred-percent checked, but the assessment does not really check if we have examined the product in such a specific way, but just examine if such an inspection process exists..." (Case #A)

These statements suggest why the ISO 9000 system itself cannot be a guaranteed method for achieving higher quality of production. It can only stabilize an existing system but not necessarily improve it because it is concerned only about the existence of an inspection process and not whether it is properly implemented. If at the stage of formulating documents no substantial improvements have been made, the result may be the 'stabilization of an undesirable system'. Also, a careful examination of the ISO 9000 requirements shows that its emphasis is mainly on the process of production, not the product itself. In this regard, the inability to achieve quality production is not incomprehensible. Therefore, some organizations 'really' taking quality seriously may use other systems like the TQM (Total Quality Management). For example, I have investigated an organization which is one of the top five companies in the world in making machines for electronics manufacturers. Instead of

implementing the ISO 9000 standard, it rather uses the TQM system to improve their quality. The reason as the production manager explains, is

> "We are implementing TQM instead of ISO 9000 for we *'really'* want to build up a system which can satisfy customers and help continuous improvement. We will adopt the ISO 9000 standard, but it will be a later step." [My own emphasis] (Case #J)

Its 'real' emphasis on quality management implies that the use of ISO 9000 standard does not really signify commitment to quality production. Although we may question whether TQM is the only 'real' way toward quality production, we should not ignore his remarks that ISO 9000 does not really fulfill the quest for higher quality production. Many points thus suggest that ISO 9000 cannot lead to better quality and more efficient production, as I will elaborate it in a later section.

6.22 The Shortcomings Of The Certified Companies

Even if the ISO 9000 is able to improve quality and efficiency in principle, organizations using them may vary in performance. As some analysts point out, some organizations were so anxious to become certified that they suffered eventually. For example,

> "Because some products in the European market require the exporters to have ISO 9000 certification, companies in Hongkong have been using the least-time method to gain the certificates. That means they just satisfy the certifying bodies' documentation requirements without making substantial improvement in quality." [My own translation] (*Ming Pao*, 02/25)

Some organizations rush into the stage of documentation that their systems are not really well formulated despite the fact that they are certified successfully. Therefore, the system may become dysfunctional over time. The same problem is found among some organizations in Taiwan as the following report suggests,

> "The more worrying fact is that, the phenomenon [that the company 'fakes' to fulfill the requirements of ISO 9000] is not unusual. According to a consulting company *For Kin* estimates, approximately one-third of the companies implemented the ISO standard only because they modeled on their competitors or followed what was promoted in the multi-media. Their vague

concepts about ISO 9000 combined with their hurried implementation have directly influenced the effectiveness of the system......This means not only doing nothing to increase production quality, it also induces an unintended burden to them." (*Commonwealth*, 08/01/1995)

As organizations hurry in the certification stage, some may not really understand the ISO concepts and operations so that the adopted system not only adds nothing to their quality production but brings undesirable burdens. After a quick implementation, organizations may function well right after their certification but deteriorate over time. As Kelvin and Victor, the quality assurance managers of their companies, point out,

"if you follow the requirements tightly, I am sure it can help to enhance efficiency......but, you know, for a company having been certified for a certain period of time, there must be more or less deviations from the ISO's requirements.......that the number of non-conformities with ISO standards increase with the time of certification is an inevitable trend.....the only thing you can do is internal auditing.....but it does not always work for it depends on the will of top management ....because our [Quality managers'] powerfulness fluctuates with the commitment of top management ....how many resources are devoted to quality is the matter for top management " (Case #F)

"[When asked about the ISO experience of his ex-company]...as I was in my ex-company during the whole course of certification, I fully understand that it has made no improvement at all.....I think its commitment to [ISO standards] is really weak......as I mentioned before, the system works only if you have set up a sound program before you get certified, and afterwards, you still have to conduct regular review meetings ....whenever you discover there are any non-conformities in any department, you must warn them or really get rid of the problem...[but,]relatively speaking, my ex-company did not practice this! And neither was our top management's commitment strong enough. They did support it superficially but in fact they didn't care about it at all! (Case #A)

The declining commitment of the top management directly influences the effectiveness of the system. As a result, the quality supervision may not be conducted as tightly as that in the initial stage. Things are different when you have got it. In other words, the resources spent on maintenance may be much less than that in the stage of certification. At the time of certification, one's commitment is directly and instantaneously rewarded by the grant of a certificate. However, once an organization has earned the certificate, the incentive weakens. This is why the system may decay after the certification.

6.23 The Shortcomings Of The Certifying Bodies

Why should organizations be less obliged to maintain the system after it has been installed How can they retain the certificates if a certifying body has been carrying out its supervision and inspection since the moment the organization applied for certification? The answer is, as mentioned in Chapter two, that the quality of the certifying bodies themselves may also vary. Some organizations like HKQAA are considered highly trustworthy. As one respondent puts it,

> "we employ HKQAA as a partner (the certifying body) because we don't
> want to do something fake"(Case #C)

This implies of course that a lot of certifying bodies other than HKQAA are doing something 'fake'. The certificates these bodies grant may only have face value. As Mr. Cheung, the ex-chairman of The Association of Quality Management, points out, some certifying bodies also play a consulting role that possibly puts them in a situation of role conflict. He insisted that certifying bodies should maintain their independent and objective standards. (*Ming Pao*, 02/25) Mr. Cheung addresses the problem that some certifying bodies are playing 'double' roles which may affect their neutrality. Assume a certifying body also provides its clients with consulting services, what should it do when it finds that a client is not qualified enough while it has to secure its reputation and business in the consulting industry? In this sense, the consulting body may also experience dissonance. What it may do is to loosen its standards and let the client pass the test for the certification to secure their own reputation in the industry. The undesirable effect is, obviously, that the certified organizations might not have substantially improved their product quality nor even the system itself.

6.3 Strategies Used To Resolve The Dissonance

For the above reasons, the failure of prophecy is not difficult to imagine. Given this possible outcome, organizations have to build up their defense against these potential, if not substantial, challenges to their sensemaking process. My study shows there are three main strategies that an organization may use to reduce this dissonance.

6.31 The Postponement Of Realizing Of The Promise

First, an organization may postpone the realization of this promise by regarding the adoption of ISO 9000 as a stage rather than an ultimate goal. In other words, ISO 9000 is perceived as a step along a path toward better quality production. This step is not an end in itself. The lengthening of the allotted time may serve as a grounds for explaining why the quality production has not yet been achieved, as in the case of the Seekers. To justify the disconfirmation of faith, Dr. Armstrong and Marian invented many explanations, one of which was that although the world had not been flooded at the predicted time, it would occur later. Likewise, Garfinkel's study of common-sense knowledge (1967) also shows that "where answers were unsatisfying or incomplete, the questioners were willing to wait for later answers in order to decide the sense of the previous ones." (p.90) In the same manner, people explain why quality production cannot be achieved by saying that ISO 9000 is a just a stepping stone towards 'real' quality production. For example,

> "If you really mean to enhance efficiency or improvement [of the production system], you must adopt some real quality policies like TQM. What you meant by having ISO certification is just that you can put things under control and minimize unnecessary errors........[this is why] many teachers or experienced ISO executors think that ISO 9000 is just a stepping stone, not something really special" (Case #F)

> "ISO only gives a procedural system. The next step is to improve management techniques, so we have started the TQM process." (Case #13)

Some organizations are apparently aware of the fact that ISO 9000 may not lead to better quality production. Thus, they view the certification of ISO as a process rather than the finish line. The belief that ISO 9000 leads to a more efficient and better quality production can be retained improvements will be realized in the future. Under the 'new' explanation, if not justification, the issue is not regarded as a matter of 'unrealized prophecy' but one of 'timing'.

6.32 Disassociation From The Unqualified Certifying Bodies

The choice of a certifying body becomes another signaling activity. An organization having been certified by a more trustworthy partner appears to be more devoted to quality.

> "We employ HKQAA (Hong Kong Quality Assurance Agency) as a partner (the certifying body) because we don't want to do something fake...as people within the circle understand what it means"(Case #C)

In order to distinguish themselves from the organizations who are certified by those 'unqualified' bodies, they mark clearly on their ISO logo the name of their certifying body. It of course serves to make people know that they are properly certified. In the case of the 'failure of prophecy', some members of the Seekers' group disassociated themselves from the disconfirmed group. In the same manner, organizations also 'unidentify' themselves with the organizations certified by unqualified bodies. The message to convey is that 'though some organizations are certified by some unqualified certifying bodies, we are not in that group and our certification is granted, instead, by a qualified certifying body.' Those poorly certified are deemed as "exceptional cases" that have nothing to do with the validity of the manifested claims. In Garinkel's words, this is the "et cetera" principle which makes room for these exceptional cases.

Though the respondents have not condemned the "unqualified" certifying bodies explicitly, they are fully aware of the social status of their certifying bodies. Those organizations interviewed by the Productivity Council praise the neutrality of their certifying bodies. The praise to the certifying bodies in turn becomes self-praise as they have made a wise choice in employing the certifying partners.

6.33 Redefining The Goals Of Adopting ISO 9000

When the disconfirmation of belief happens only to others, the disassociation from these other group can be considered to be useful. That is, if inefficiency happens in other organizations, dissonance can be solved easily by claiming either that it is an exceptional case or that my case is different. However, if the disconfirmation happens in one's own case this strategy will hardly be functional. One must invent justification for the 'expected but not yet confirmed' quality improvement. Other than postponing the time of realization, another useful strategy may be re-defining the goal of the policy. This does not necessarily involve a total

transformation of the original goals but instead can involve a re-arrangement of the importance of different goals. For example, a respondent stated that

> "productivity may not be improved after the adoption especially in the initial stage. What can be sure is that errors and mistakes can be reduced by the use of the quality policy..." (Case #D)

It applies to the following case as well:

> "It is still too early to quantify all the benefits that Bauhinia has gained from obtaining the ISO certificate,.......we have been able to reduce our stock to the most economical level, and inter-departmental cooperation has improved" (Case #12)

In these illustrations, we find that the use of the first strategy that it is premature to reap the harvest. In addition, they also put 'new' emphasis on other goals like 'error reduction' and 'improvement in departmental relationship'. Whether it involves a shift in their focus is unclear because even they may 'forget' what their original aims were. In any case, the point is that they may activate other goals to reduce the dissonance due to the disconfirmation of the efficiency and quality in production from ISO adoption. In other words, it involves the manipulation of the goals of ISO's adoption. If an organization intends to justify what it has done as right, it can easily do so by this selective attention on particular goals.

As a whole, these illustrations show that due to some problems involving the system, certifying bodies and organizations themselves, the promises of ISO 9000 may not always be realized. Therefore, some dissonance may result. To manage this dissonance, organizations may choose to respond by postponing their goal realization by disassociating themselves from the disconfirmed organizations, or by arranging and rearranging their goals. The management of dissonance thus requires organizational actors' effort. Also, in an organizational context, this dissonance is not left untreated but managed with great effort.

6.4 The Transformation From Ambiguity To Flexibility

Though a supposed-to-be good system may not necessarily be perfect, its defects should be at a minimum level. The goal of such a system should at least be clear enough to guide people where to go. Yet, the ISO 9000 quality system though widely used does not entail a definite goal. As stated in Chapter two, the definition of quality is vague though some explanatory notes have been provided. Such ambiguity is not unnoticed by the users. As one respondent puts it

> "Actually, the ISO documents published in both 1987 and 1994, though they seemed to have supplied much explanation, are in fact very vague........ if there is a consultant who tells you that the standard of ISO 9000 is unambiguous, there are only two possibilities. First, s/he is cheating you. Second, s/he knows nothing at all." (Case #C)

However, the ambiguity of the definition is not condemned very often. If it is really vague, why do people seldom complain about it? One must bear in mind that, from the organizational actors' perspective, ambiguity can be viewed as enabling flexibility. Flexibility implies the ease of manipulating the definition so as to realize one's own interest.

Ambiguity results from unclear instructions or requirements. However, unclear instructions and requirements may not necessarily mean something undesirable. 'If fishing in trouble water makes everybody benefit, why do we have to stop it". (Case #C) In Weick's words, "ambiguity allows people to maintain the perception that there is agreement, when in fact, there is not." (1995: p.120) What is thought undesirable is only if the vague target is in fact difficult to reach. Provided that the target is ambiguous but manageable, the ambiguity cannot be regarded as a problem. Organizations can see ambiguity as an advantage rather than a problem. As the target is specified by the organizations themselves, the standard can be 'adjusted' to their acceptable level. For example,

> "the target can be set skillfully so that the operation of a train with a less-than-five-minute error is considered punctual...and, the statistics only report the frequency of "being late", but not the total "minutes" for which the trains have been late....By the way, the customers' requirements are all set skillfully as the quantitative data is more presentable."(Case #B)

In this case we see that ambiguity can be better understood as flexibility. Provided that the standard of punctuality can be defined by KCR itself, they may define it at the most acceptable level. Even if twenty out of fifty trains are late in a day, this day can still be claimed as lateness-free. The operation of such a flexible standard can be perceived as advantageous not only in the case of KCR but also in customers services departments of many other organizations like Telecom Co Ltd. In order to have their customers served within the 'shortest' time, the number of 'ringing tones' taken to answer customers' calls in hotlines is used to measure the quality of their services. If the organization defines its maximum answering time as twenty 'ringing tones', and they really achieve it, what is the meaning to a customer who is now promised to be answered within twenty 'ringing tones'? Given this ambiguity, an organization tends to define the standard in a looser manner. An example is the following statement from one of my respondents

"It [How to set target] really doesn't matter,....the definition of target is determined by the company itself, you may define it to a point where you can reach. When it is implemented, you may see whether your company can reach the target. If it works, it means your company can fulfill the requirement! If it doesn't, it means that your company has to improve to catch up with the standard! But, relatively speaking, what kind of target a company seems to set? I think it tends to set a target which can be easily reached! Or setting a target of face value only----for example, 'sailing to a better quality production'! It won't be anything producing concrete data! ....Actually, it's very unlikely that a firm would set a hard target, say, exactly how many days to complete a task....as the requirement of ISO 9000 never asks you to offer the exact days you use to complete a task, if you define such an exact date yourself, you are really trapping yourselves!"(Case #A)

If the target is set as 'sailing to a better production', then what can one expect from such a target? Though making use of the ambiguity of the ISO 9000 standard, an organization tends not to label the standard as an ambiguous one. Instead, as I illustrated in the previous chapter, actors would call it 'flexible' rather than condemning the ISO's ambiguity. Moreover, they praise the system for its flexibility in that it can be used in every industry. Put in a much more acceptable way, ISO 9000 is thought to be "flexible enough to reflect what you've already been carrying out in your company structure". (Case #6) It has been already illustrated in Chapter five how the flexibility of ISO 9000 can be deemed as an advantage in signaling and

how switching costs can be saved by its flexibility. Unlike the dissonance found among the Seekers, the discomfort arising from ambiguity can be more easily solved. As the users of ISO 9000 quality standard, certified organizations appear to welcome the ambiguity rather than rejecting it. This is because they have benefited from the ambiguity. Ambiguity is re-interpreted as flexibility. In the same vein, they are not denying the lack of clarity but promoting it. Having learnt their viewpoints from chapter five, we find that they are capable of converting the problem into an advantage of the system----that can be applied to and easily switched organizations from all industries. In this sense, actors are competent in enacting their environment.

6.5 Labour Resistance

In the implementation and maintenance of the ISO 9000 quality standards, there is always a problem that labour may resist a new and unfamiliar system. Some may think that it is an inevitable problem whenever one is using a new system in an well established setting. But the interesting point of the problem is that how organizational actors interpret resistance can reflect how they in turn use it to support their choice of ISO 9000 standard.

Labour resistance is understandable. Imagine if a well-trained and experienced worker is asked to adopt a new system in which s/he has to write and record in detail what s/he has done for several years while s/he does not deem it as useful. In this respect, resistance against the new system is very reasonable. However, no organization would like to see its workers performing tasks with that kind of resistance. At least, no company would like to report that its workers are doing their jobs only because they are ordered to so. It may be the reality but surely not something a company would acknowledge publicly. Organizational actors as sensemakers must know how to employ reasons and interpretations to 'beautify' what they experience. Therefore, if workers are unwilling to work in accordance with ISO 9000 requirements, some more justifications must be offered.

Interview with respondents suggest three ways of making good sense of the workers' resistance. First, workers' resistance can be interpreted as arising from their misunderstanding

of bureaucratic formalities. (e.g. Case #1) In order to maintain the correctness of choosing ISO 9000, workers' resistance is understood as some kind of 'misunderstandings'. It is true that the requirements of ISO 9000 are bureaucratic, as it defines job tasks in a more strict and rigid way. As I elaborated in the previous chapter, the policy components are spelled out in every detail under the adoption of ISO 9000 and workers are subjected to closer supervision and tightened control by both their supervisors and written documents. Therefore, for them to view, ISO 9000 as bureaucratic formalities is not inaccurate. But now, their resistance is interpreted as the result of 'misunderstandings'. This interpretation provides a good grounds for the decision-makers to believe the system is really good for them.

Second, the resistance can also be 'interpreted' as a result of the fact that staff do not understand the ISO system in the first place. This strategy is just like the one I used in the beginning of this chapter-----"I ran away from school just because I couldn't understand the meaning of going to school at that time, but later, I could understand it". The happened event is understood in the light of an event that happened later. For example, the speaker of Theme thinks that,

> "Staff who used to rely on verbal communication may not initially react favorably to the documentation system. But they'll soon find out that the chances of making mistakes will be greatly reduced by proper procedures and documentation.....we also experienced some resistance from our colleagues at the factory, but they eventually realized the advantages of a preventive system and were particularly motivated when they realized that the subsequent increase in efficiency would profit them in the long run" (Case #2)

I do not challenge the view that workers may really be pleased with the system eventually. They might be pleased if they have realized the goodness of the system, which directly relates to their interests consequently. (Leidner, 1994) However, I wonder whether actors' initial resistance is purely the result of the 'fact' that they did not understand the system. It could be that they resisted the system even if they had understood the meaning of the system given that they had more work to do. But in this interpretation, the initial resistance is interpreted as the result of workers' lack of comprehension of ISO 9000. The implication is that the reason for the initial 'resistance' is not because of the workers' resentment against the

system. In the organizational actors' explanatory framework, the feelings of workers in the initial stage are understood not as resentment but just as a misunderstanding.

A dramatic change in attitude can be reflected from the experiences of the staff in C&C.

> "We attended some courses on ISO 9000 requirements and at first we felt that it was unrealistic, and too much documentation was required, " said the speaker of the company. (Case #10)

But when the directors later became enthusiastic in achieving a quality system, staff's impression toward ISO 9000 changed dramatically, and they interpreted their negative feeling towards ISO 9000 as a kind of misunderstanding. Obviously, such a change is not necessarily a naturally occurring process. The notion of 'misunderstanding' is, instead, a later production of the organizational actors who want to support the correctness of their choice in using the ISO 9000 system.

Third, a strategy is believing that resistance and misunderstandings are inevitable in the beginning stage. For example, when asked about the problem of labour resistance, the speaker of Hong Kong and China Gas Co. stated that "in the beginning, some misunderstandings were inevitable." (Case #5) The strategy sounds like the previous two. On the one hand, the resistance is interpreted as a kind of misunderstanding, as if people's resistance is solely the result of the fact that they mistook the system. On the other hand, it is taken-for-granted that misunderstanding happens in the beginning stage, and the misconception would be eliminated later. However, one additional important point added by this strategy is that it expands the problem as a general one. It is significant to saying 'everybody must have run away from their schools'. If the problem is not a personal one but it is faced by every organization, the problem is no longer a problem. In this regard, organizations encountering labour resistance become normal because the problem is perceived as an inevitable one.

The illustration of labour resistance from a sensemaking perspective is one of the many examples of problems in organizations that are 'solved' by these strategies. In order to avoid

illegitimacy, organizational actors are capable of making use of the above strategies. Their application can also be found in "solving" other organizational problems.

6.6 Conclusion

This chapter has focused on how organizations manage the misfits or dissonance when the prophecy of ISO 9000 fails or undesirable effects emerge. Actors in organizations are found to turn negative consequences into good sense. However, a contradiction seems to arise: while ISO 9000 is used as a market signal as shown in the previous chapter, its benefits to the organizations have been greatly challenged in this chapter. Then, is it a tension that needs to be resolved? The problem is would an organization would still use ISO 9000 certification as a market signal given it has so many defects including that it cannot even guarantee the quality of production? And, more importantly, would an organization use it to spot trustworthy partners?

The answer to the first question is less in doubt. As I illustrated in the previous chapter, ISO as a useful market signal lies not so much in the fact that it is a good indicator of quality production but rather because it signifies ties with and support by professional institutions. Second and likewise, the choice of a firm having ISO's certification also does not necessarily nest on the latter's implication of good quality but its 'buffering' function supported by the institution.

In this light, what is noteworthy is that an organization appears to arm itself with two sets of attitude toward the ISO certification possessed by it and other organizations. If the ISO certification is possessed by the organization itself, they would likely invest good faith in the certificate and believe that the certificate could bring to it substantial improvement in quality and hence a more competitive edge. However, if this is others' certificates, the organization is possibly skeptical of its certification and would seek more grounds to prove the trustworthiness of this particular organization rather than simply trusting to it due to its possession of ISO certification. The 'double' standard held by organizational actors explains why things are not out there but subject to how they are seen and defined. If an organization

intends to believe in a decision, it can employ many rational grounds and strategies to enact its faith in its decision. Institutions, in this sense, are only sort of a tool used to support the sense one has made and would make.

However, a clarification of the relationship between institutions and actors is still needed before the end of this dissertation. Therefore, the concluding chapter will re-examine the institution-agency link, seeing how organizational actors are both constrained and enabled by the institutional environments in which they are embedded.

Chapter 7

Recapitulation: A Theory Of Social Action In Institutional Analysis

The preceding chapters have discussed how organizations produce their own meanings of their institution-following behaviors. Although organizational actors may encounter a number of misfits in the sensemaking process, they are capable of managing and transforming them as well. Viewed from this perspective, organizational actors are competent in that they know how to make use of their institutional environments. However, as I pointed out in Chapter 3, it is traditionally regarded that "institutions on the macro level determine the behaviors and small groups". (Zucker, 1988b, ch.2, p.41) It means that organizational actions are always thought to be overwhelmed by their environments. Then, what is the orientation of this paper toward the problem of the relationship between organizational actions and institutions?

Obviously, the writer of this paper has adopted a 'voluntaristic' approach in accounting for institutional effects upon organizational actors. The adoption of the institutional economic', or more precisely, North's, definition of institution seems to imply my theoretical orientation is inclined towards the rational choice model that "is based on the idea that self-interested actors make decisions and create institutions which they believe are best able to reduce their political or economical costs relative to the benefits gain.". (Campbell, 1994, p.1) In addition, much of the discussion and emphasis have concentrated on arguing for organizations' active creation of meaning. However, by careful reading one may have discovered that the previous discussion also rests on a rather 'deterministic' ground. As argued in Chapter 4, organizational actions are virtually subjected to institutional pressures and these should not be neglected in the decision-making process. It is also revealed that institutional pressures do not work alone. Instead, they are mutually reinforced and reproduced in the sensemaking process. Then, are institutions regarded as a device to realize human interest, or a constraint to limit actors' choices? Campbell (1994) thinks that this question should be understood by the theories of action and constraints.

> "First, it requires a theory of action that seeks to answer the question: Why do people make the choices they do ? This involves investigating the factors that motivate actors and that enable or empower them to act on their motivations. Second, it calls for a theory of constraint that involves an analysis

of the limits around these choices. It seeks to answer the question: What limits the range of choices from which actors select once they are motivated to make a selection?" (p.3)

The illustration in the previous chapters suggests that Chapters 2 and 4 seem to align with the theory of constraint, while Chapters 5 and 6 appear to be identified with the theory of action. Then, how can the two be synthesized? In this concluding chapter, I will sum up my point of view along these two lines. First, it is how an institution in the organizational field *"limits the range of choices from which actors select once they are motivated to make a selection"* . Within the question, two processes have been implied. Initially, an actor is motivated to make a choice by their institutional environments and later on, when the actor has to make choice, s/he finds that there are not many alternatives for him/her. However, the second part of the summary will alter the question into another genre that focuses more on how *institutions motivate actors and that enable or empower them to act on their motivations*. The apparent gap between the theory of constraint and action will be bridged by the re-installation of sensemaking process which reveals actors seeking a secure basis for their practical action. (DiMaggio and Powell, 1991a, Scott and Christensen, 1995).

7.1 A Theory Of Constraint: Institutions, Institutional environment And Institutionalism In The Organizational Field

The previous discussion on the widespread adoption of ISO 9000 has furthered our understanding of institutions, institutional effects and institutionalism. In this section, I try to summarize these insights and incorporate them into the theory of constraints that I have just mentioned above.

As mentioned earlier, the expansion of ISO 9000 adopting activities among different organizations is not unnoticed by theorists. In brief, there are two main approaches to explain a popular organizational arrangement. First, the use of such an arrangement is deemed as a technical necessity. It means that organizations have to adopt a strategy so as to fulfill technical requirements. In this perspective, one may quickly arrive at the conclusion that adopting the quality assurance system is a result of organizational actors' aspirations for quality and efficiency improvement. In this sense, the origin of adopting the new organizing

method is stems from within the organizations themselves. Alternatively, organizational structures can be understood with respect to the environments surrounding the organizations. In this approach, the popularization of an organizational arrangement is viewed rather as a product determined by the environment. It means, in other words, the root of the widely adopted system is outside of the organizations. There are two ways in which environments influence organizational decisions. On the one hand, in Meyer's words, "[organizational practices] arise in response to the demand made by powerful elements in the environment on which organizations are depend". (1994: 122; for a detailed illustration, also see Pfeffer and Salanck, 1971) It reflects that some organizations are forced to adopt the new structure by the state or their parent corporations. On the other hand, though without receiving pressures from the above organizations directly, organizations may also adopt a popularly used system to gain legitimacy.

The approach used in this paper is closer to the latter. In other words, the widespread adoption of ISO 9000 is understood in terms of the institutional context in which organizations are embedded. In this environment-organization approach, the concept of organizational field is important in that it defines the boundary of the environment in which organizations function and may be affected. Various institutional agencies like the state, professional associations and other organizations are identified in the organizational field. They are important in producing and reproducing the institution which governs organizations to adopt the ISO 9000 quality standard. Carried by the institutional agencies, the practice of ISO 9000 quality system is transmitted from one organization to another. For example, CTDC is said to be the result of the ISO 9000 practices from its owner Hong Kong Productivity Council (Case #1). This chain reaction suggests how important the agencies are in the organizational field.

From Environmental Influence to Institution building

As DiMaggio and Powell argue, the word 'institution' is always ambiguous and confusing because scholars define them casually and differently.(1991) While some put more emphasis on its normative aspect (for example, Tolbert, 1988 & Powell, 1988, Meyer, Scott and Deal, 1992), others focus more on the cognitive and symbolic aspects of institution. (DiMaggio and Powell, 1983; Baum, 1995). In this paper, my emphasis straddles these two

aspects. Following Jepperson's general notion of institution (1991), by institution I refer to a "social order or pattern that has attained certain state or property."(p.145) In addition, he notes that, "by order or pattern, I refer, as is conventional, to standardized interaction sequences. An institution is then defined as a social pattern that reveals a particular reproduction process". (ibid.) Based on the empirical work we have discussed, the popular adoption of ISO 9000 quality standard can be said to be an institutionalization process on two levels.

First, at an interorganizational level, different organizations are gradually adopting the same management system in the field. Thus, an organization finds it hard to survive without installing such a commonly used quality system. In other words, the widespread adoption itself becomes a pressure upon the organizations operating in the field. In order to gain legitimacy or normative sanctions from other organizations in the field, an individual organization tends to believe that it has to be equipped with a quality system. Zucker calls this "environment as institution". It means that organizations have to conform with the environment where they function. The previous chapters, especially Chapter four, have located how the three sorts of institutional pressure (regulative, normative and cognitive) work either separately or together to affect organizational choices of quality assurance systems. The term 'institutional environment', in this sense, is used not only because a bunch of institutions always exist external to individual organizations but because it should be understood as a web woven of different institutional pressures that has significant impact on organizational moves and structures.

Second, the institutionalization process also happens within an individual organization as the interaction pattern within the organization becomes standardized over time. For individual organizations, the management system established in accordance with ISO 9000 standards is regarded an institution in the sense that individual actors in these organizations seem unable to change the arrangement. As time goes by, actors in the organizations take the procedures defined by the quality system for granted. They perceive the pattern of interaction guided by the ISO 9000 standard as if it is unchangeable and something natural, despite the fact that the system may have made little improvement to the overall management. Such an institutionalized organizations model has been widely used in non-profit making organizations.

(Meyer, Scott and Deal, 1992: p.47) Educational organizations like schools are believed to be "more closely aligned with the institutional framework"(ibid., p.47). It gives the impression that those non-profit making organizations are subjected more to the institutional environments while business organizations tend to focus more on their ability to produce desired products through an efficient technical framework. However, the previous analysis conducted in this paper supplements this argument by revealing that institutional environments also matter among the for-profit organizations. Indeed, Meyer and his associates' acknowledge this point,

> "most obviously, technical and institutional environments are not necessarily opposites: technologies become institutionalized in their own right, and organizations come to be required to conform to them in actual work activity for institutional rather than technical reasons. Further, rationalized institutional arrangements in society often come to spell out and enforce technologies of action (whether objectively or socially defined as efficacious) in great detail. Hence, institutional environments may not always lead to a decoupling of organizational structure from technical activities." (p.61)

This suggest that the so-called institutional environment is not always easy to distinguish from the technical one. In the same way, the ISO 9000 quality assurance system, as it is operated within such a highly institutionalized environment, should be regarded neither as an institutional environment solely for enhancing organizational legitimacy nor a system serving purely technical purposes. Instead, it is a hybrid one that it is cloaked with a both institutional and technical outlook and fulfilling both the institutional and technical purposes.

The two steps of the theory of constraints are also embodied here. Firstly, organizations are strongly motivated to implement a quality assurance system through absorbing pressures from their environments. Then, the organizations would find that their choices are strictly confined by the effective advertisement of ISO 9000. Though many quality systems may exist at the same time, special attention has been placed on ISO 9000 and thus other alternatives are relatively disregarded. ISO 9000 as an institution becomes a constraint that structures organizational choices in two senses--- that an organization is motivated, if not forced, to make a choice while the range of choice is strictly limited by the institution.

The emphasis on the environment-organization relationship sounds like an oversocialized model in which individual organizations seem incompetent to respond the institutions operating in their environment. (cf. Granovetter's analysis of conception of economic actor, 1985) The institutional effects, with reference to the illustration of this dissertation, point to those formal and informal constraints which motivate actors to adopt a quality assurance system and also limit the choice that actors can have, given the overwhelming importance of ISO 9000". Institutionalism, in Jepperson's words, "is a theoretical strategy that features institutional theories and seeks to develop and apply them" (1991, p.152) From the findings in this paper we know that the sole stress on institutional effects upon individual organizations is not the whole picture. Institutionalism, instead, should also encompass how organizations are built up and maintained by persistent sensemaking activities. As Campbell (1995) notes, focusing solely on the theory of constraints risks missing the other part of the story--- the enabling aspect of institutions. Therefore, my research does not end with the celebration of the omnipotence of institutions. Organizations are not considered solely as the creatures of their environments. The relationship between institutions and individual organizations is viewed not only as uni-directional and predetermined but instead in a constitutive and mutually reinforcing way. By bringing back the sensemaking perspective, I aim to reveal how organizations are also enabled by the institutions surrounding them. It also changes the question into how organizations make use of the enabling aspect of institutions to realize their own interests.

7.2 Theory of Action

The theory of action investigates the factors that enable or empower actors to act on their motivations. In the previous chapters, especially Chapter 5 and 6, I examined how organizations make sense of their ISO-adopting behaviors and how they employ available rational grounds to support their choice of using ISO 9000. It is found that the market signaling and buffering device are built upon both the institutions and the institutional agencies which promote and issue ISO certification. From the sensemaking perspective, actors are no longer viewed as incompetent and totally subjected to the environment bounding them. They are, instead, tactical, rational and even opportunistic. The sensemaking perspective restores consideration of how actors perceive of their economic moves and decisions. Unlike a passive follower of the institution, they seem to have acted strategically to maximize their interests. However, one must avoid going too far from this point. It should be remembered that

sensemaking is a *post hoc* activity. It means reasons are provided after the events have happened. Unlike a traditional rational choice model which would say that actors are necessarily purposive and act according to the principle of rationality, the sensemaking perspective leads us to ask how actors give accounts of their previous behaviors. These accounts may or may not be what organizational actors originally thought.

Instead of denying the power of institutional environments, the point that I want to argue here is, that organizational actors can produce reasons for their action that depart from the original ones after the decision to adopt ISO 9000 has been made. The implication is that organizations are sensitive to their behaviors. This sensitivity does not necessarily lead the organizations to make the best choice but it does help them make a good sense. Recalling the two levels of institutionalization I mentioned before, we find that organizational actors make use of both levels of institutions to produce good sense. With the institutions external to individual organizations, actors could see ISO 9000 as both market signals and buffering devices. With the institutions developed within the organizations, actors could consider ISO 9000 as a device which may be used to resolve conflict and deskill labour.

Organizations in environments filled with uncertainties and ambiguities seek to secure a good basis for their actions rather than focus solely on maximizing their utilities. They are longing for a good explanation rather than an optimal strategy by which their technical capacities can be maximized. Institutions, therefore, provide them with a good basis for their actions. Because other organizations are always-like-us when an institution prevails, organizations and their actors can hide themselves behind the institution to guard against possible risks. Of course, they are not only the benefit-taker of the institution but also help reproduce and confirm the institution. For example, as I point out in the chapter 6, they expel those misfits endangering the plausibility of the institution. They clarify and refine what the institution means to them by dissociating themselves from other poorly-certified companies, deferring and rearranging the realization of their goals, and transforming the problems encountered in the course of ISO adoption. Their deliberation of sustaining the institution wins them a favorable environment in which ISO 9000 is becoming a must to every player in the field. In other words, they enact their environment to gain their advantages.

The theory of action itself does not tell us how to tap into the actors' sensemaking process, but this paper does. In the above illustration, I showed how actors manage and make use of the information available to them so as to appear to behave rationally. Campbell also reminds us of the two enabling aspects of institutions. (1995)

> "[Institutional artifacts are deemed as enabling] not only because actors follow already given legitimate patterns and routines of action, but also because they develop new ideas and build new institutions with concepts, symbols, and other institutional resources inherited in the past." (p.12)

On the one hand, organizations have adopted ISO 9000 to enhance their legitimacy so as to increase their competitive edge. On the other hand, they also further build up an even more exclusive institution to exclude and condemn those non-certified companies, as revealed in chapter 5. It means the use of ISO 9000 is defined not only as a favorable organizational move but a "must" to the organizations in the field. It reflects that organizations not only make use of the institution passively but also actively create their favorable institutions on the basis of the existing institution, or in other words, they speed up the process of institutionalization.

To sum up, this writer is not entirely satisfied with the deterministic view of the institution and has thus tried to show how actors' perceptions matter in understanding the relationship between institutions and organizations. In order to provide a comprehensive picture of the theoretical and empirical contribution of this thesis, I turn to a summary of the main implications of this study.

7.3 Implications Of The Study:
7.31 The Eclipse Of The Actor's Motivations Under Institutions

First of all, a very fundamental focus of this paper is to expose 'the eclipse of organizational actors' sensemaking process under institutional influence. The theoretical tendency in institutional theory has long been towards the exaltation of institutional influence upon individual agency. In this paper, the sensemaking perspective is brought back on stage and used to restore the actors' active role as it is stressed by Selznick. (Knudsen, 1995) The contribution of such a restoration is to expand the applicability of institutional theory to for-

profit organizations. Traditionally, the institutional theory is applied to voluntary or non-profit making organizations, like schools, hospitals and government agencies as these organizations seem to strive for legitimacy as well as efficiency while for-profit organizations are deemed to stress only profit maximization and disregard their institutional environments. But in the light of sensemaking perspective, it has been seen that legitimacy and social norms generated from institutions also matter for those for-profit organizations. But, it does not mean that for-profit organizations are no longer rational and purposive. They are still rational, interestingly enough, especially after they have followed the institutions. In this paper, the institution-following conduct is no longer seen simply as an automatic process. Rather, it has been shown that accounts, in an ethnomethodological sense, are repeatedly produced by the actors to defend and consolidate the powerfulness of institutions.

Second, the eclipse of actors' motivations prevents institutional analysis from explaining actions in profit-making organizations. As mentioned before, actors in profit-making organizations are believed to act solely in a economically rational way. On the contrary, institutional analysis, especially neo-institutionalism, seems to think that organizational actors follow institutions without reflection. Therefore, it gives rise to the tension between the new institutionalism and rational choice theory. (Abell, 1995) Some theorists claim that the institutional model appears to deny the possibility that an actor can make rational choices, while the rational choice model seems to deny the influence of institutions. But Abell reminds us of the fact that, "the key points of dispute appear to be about neither the nature of institutions nor their ubiquity, but about how their genesis and persistence are to be explained." (p.8) This paper has successfully shed light on the problem how the institutions are followed rationally, if not in an unreflective manner. Though it has not touched on the genesis of the institution, the previous discussion has investigated in great detail the process of how institutions persist.

The sensemaking perspective helps us understand how institutions are enacted and protected by their followers. It also shows us that the organizational actors employ rational grounds to sustain their faiths in institutions. The persistence of institution, as shown in this paper, is unable to be held without actors' rational and purposive enactment. Institutions

under this perspective are no longer viewed as something out there but are reproduced by actors' rational sensemaking process.

7.32 The Extension Of Conception Of The Organizational Field

As it has been noted elsewhere in this paper, the conception of organizational field has long been confined to the industrial sector in which only organizations engaged in similar lines of production are identified. However, the analysis in this paper has broadened the horizon of the organizational field. By aligning with the arguments of those theorists I noted in Chapter 4 that the organizational field contains a variety of organizations which may exert influence on an individual organization, I examined how organizations in the field have been influenced by the state, their parent corporations, the professional associations, the competitors in the same and different sectors as well. Therefore, the extended view of the organizational field has been validated in the previous analysis by showing that organizational actors take a list of environmental factors into their accounts. From that we know institutions formed at different levels and in different sectors should also be considered seriously when examining the institution-following actions.

7.33 Overinvestment in ISO 9000

In this paper, I take side with the Akerlof's (1976) and Zucker's (1986) argument that institutional arrangements may exist even though they are collectively suboptimal. Institutions persist not because of its optimality but people under them want to avoid risks in violating and changing them. Spence argues that education as a market signal always involves over-investment in the sense that so much would not have been invested if the signaling activities had not taken place. In the same respect, the investment in ISO 9000 can be thought as over-investment in the sense that some firms had already had a good system in place before they adopted the ISO 9000 quality assurance system. However, due to the current signaling activities, organizations must invest in this new system. Certainly, I do not deny the possible usefulness of the ISO 9000 quality system. But I remind readers that the institutionalization of the adoption of ISO 9000 quality standards becomes an accelerator to its widespread adoption. In some cases, the adoption of ISO 9000 is deemed as "over-invested" as these

organizations had already had a sound system in place so that they did not need to adopt it if it implied no signaling function at all. It is because an organization which has already had a good system in place may be worse off when other organizations with poorer production systems participate in the signaling activities. Therefore, for the former to make themselves appear to be good, they also have to adopt the quality system. They have to become certified to produce the same signal as their competitors do regardless of whether they are really in need of it.

7.4 A Possible Research Agenda

In studying how organizations respond to institutions with reference to their sensemaking perspective, some potentially fruitful research problems have not been fully covered. First, a simple question but straightforward question is why have some organizations not adopted 9000 while others have? Though I have adopted an encompassing definition of the organizational field, I do not assume all organizations within the same field respond to their environment homogeneously. A fruitful research agenda would involve comparative studies of how organizations from different sectors respond to their environment differently, if not similarly. (cf. Powell, 1988) Such research would allow for better understanding of what determines the degree of institutionalization in different sectors and industries. Actually, some hints on the difference have been implied in this paper. For instance, the demand of the buffering function on safety in terms of both human and economic capital may be a crucial factor determining whether ISO 9000 would more likely become a hit in that sector. Also, the degree of importance a firm attaches to its public image may be another important factor worth considering. To sum up, the possible diversity of responses to an institution among different organizations does deserve further explanation.

Second, as I pointed out in the chapter 5, the use of ISO 9000 quality standard also means a process of further, or re-bureaucratization. Such a bureaucratization process may have significant impacts on labour control. On the one hand, the production process would become further routinized as every production process has been written clearly in quality documents. Thus, the decision-making processes are further removed from the operatives in the line of production. Their jobs are likely to become even more boring as the process of production becomes ever more piecemeal and routinized. An important research agenda then

is how will workers react to the routinized production process? Do they accept it without resistance? Or in what ways will they resist it? Does the routinization process reduce their job satisfaction or increase it? (Leidner, 1993) All these questions wait to be answered in another full-length research.

Last but not least, the use of the sensemaking perspective in the institutional analysis in this paper is just an initial attempt. Whether it can complement the existing institutional model depends very much on other forthcoming researches. It is my hope and expectation that a new line of research on the sensemaking perspective in organizational analysis would be developed in near future.

Appendix 1

Case No./ Published Date and Page No.	Name of the Company & Industrial Sector	Market Situation & Product lines	Manifested And Implied Reasons for ISO 9000 Adoption	Process (Difficulties/ Facilitators; Advantages/ Disadvantages)	Substantial/ Potential Gain	Teachings or Morale
# 1 March, 94: pp.28-30 April, 94 pp.29-32	Clothing Technology Demonstration Center Company (CTDC) ---- Garment Industry	(1) First H.K. enterprise in the textiles and apparel sector to receive on ISO 9002 Certificate. (2) Products/Services: A full-fledge subcontractor that produces quality garments with materials supplied and according to specification given by customers	(1) To enhance its competitive edge; (2) To be the sample of other firms in the industry. (3) It is a wholly owned subsidiary of HKPC, which had strongly encouraged its adoption of ISO standard.	(1) Problem: Initial Resistance was found and attributed to "a general misinterpretation of written standards as bureaucratic formalities" (p.29) (2) Solution: "Success is attributed to the dedication of his staff and operators, and assistance of the consulting team" (p. 28)	(1) Help in streamlining its operating procedures and identifying deficiencies. (2) Eliminating unnecessary duplication of work. (3) Invisible gains: improve customers as well as staff relation, goodwill and trust.	(1) Success depends on the support and encouragement of management. (p.29) (2) ISO 9000 is increasingly becoming an important consideration for competition. (p.32)

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# 2 May, 94: pp.25-27; March,95 p.36-39	Theme International Holdings Limited (Theme, Theme Plus, Body Glove)-- Garment Manufacturing and Retailing Industry	(1)The first subsidiary plant of a H.K.-based garment manufacturer and retailer in Guangdong (2) The first H.K. Stock Exchange listed garment group, to obtain the certification. "ISO is not yet a commonplace (in the industry)." (p.25) (3) Products/ Services: Garment manufacturing and Retailing	(1) "Aimed at documenting all processes of operation to guarantee consistent quality policy. The ISO certificate itself is only a by-product." (p.25) (2) "Intended to be H.K.'s first garment retailer to be awarded the ISO 9000 accreditation". (p.26) "I hope we can be the trendsetter in this respect" (p.25)	(1) Problems: i) Not all staff would immediately comprehended the procedures at the first stage. (2)Solution: i)Problems of resistance were believed to be removed as "they'll find out that the chances of making mistakes will be greatly reduced by proper procedures and documentation" (p.27) (3) Facilitators: "Although it took Theme eight months to meet the requirements for certification, it has been following a total quality management (TQM) principle for much longer than that." (p.37)	(1) Help in face of challenges (2) extend business in China and other countries (3) brought about a more efficient organizational structure. (4) "the system has brought much higher business efficiency and quicker response to market demand". (p.38)	(1) "if you don't operate with the quality concept in mind, you shouldn't expect to be able to stay any field" (p.26) (2) HKPC praised the company that "it is wise to seek the ISO 9000 certificate." (p.263) (3)"It is to be important not only for the garment but for all trades." (p.26) (4) Their ultimate goal is to develop a production system in line with TQM. (p.37-38)

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#3 June, 94: pp.30-31	Elec & Eltek Co. Ltd.---- Computer and Electronics Industry	(1) As one of the few in the industry in Hongkong to be armed with accreditation (2) Product/Services: Mainly producing Printed Circuit Board (PCB) and other produces ranging from computer peripherals to telecommunications and automotive parts.	(1) Their major competitors are Taiwanese who are paying even more attention to the international standard. (p.31) (2) "As ISO is an internationally recognized quality standard, we adopted it as a guideline for standardization of our management system." (p.30)	(1)Problem: Difficulties stemmed from its size-- it's a very large group (2) Solution: Problems of size have been solved by united aspiration. "The whole group, from the general manager to the staff at the bottom, were united in their aspiration to adopt the ISO 9000 system". (p. 30) (3) Facilitators: Using TQM (The Theory of Kaizen) before starting to use ISO and thus switching cost is not high.	(1) Adapting a new system matching with the ISO standard; (2) Trained to have team spirit. (3) With one track's mind, they're now more efficient (4) Useful in clarifying grey areas existing before; (5) Because certificate is an evidence of quality, greater confide	(1) "ISO is now popular in Hong Kong, China and Taiwan."

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#4 July, 94 pp.22-24	Shell H.K. Installation---- Fuel and Oil Industry	(1) First oil depot to be completely certificated with the International ISO 9000 accreditation in Hong Kong. (2) Products/ Services: Marketing of petroleum products.	(1) "Shell is already ISO-certified across Europe, as are each of its operating companies in Southeast Asia." (p.22) (2) Tsing Yi's installation merely fine-tuned the existing system and bring them into line with ISO 9000 standards (3) Owing to the nature of their products, they pay special attention on safety. (4) Let customer know their commitment to quality.	(1) Smooth- because similar system had already existed. (2) Knowledge was also gained from observing the quality audits of ISO 9002--carried out for the Main and Special Plants the year before. (p.23)	(1) Build higher levels of traceability and accountability into their daily operations. (2) more able to communicate to all staff at all levels a clear picture of the quality goals that they're trying to achieve (3) even short time held, increased productivity	1) "Our work is by no means finished now that we have earned the qualification, not only will HKQAA be regularly returning to check on our continuing ability to uphold ISO 9000 standards, but we as an organization need to be consistently responsive to changes in our customers' requirements. Hence we are constantly on the lookout for opportunities to improve on our quality practices." (p.23)

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# 5 September 94 (pp.32-34)	Hong Kong China Gas Co. Ltd. (The Domestic Project Business) * ----Gas and Fuel Industry	(1) The first piped gas supply company in the territory to quality for the internationally recognized quality standard and also the monopoly in Hongkong. (2) Products/ Services: Supply of towngas, sale of gas appliances, after-sales and maintenance services, design and technical support	(1) Not clearly stated	(1) "In the beginning, small misunderstandings were inevitable, but our top management are committed." (p.33) (2) "Initially, they [the staff] expressed anxiety because they didn't understand the process... we [the top management] need to tell them what the ISO 9000 series was and what it would do for us" (p.33) (3)"Also, its sheer size gave rise to problems such as white space and grey areas of responsibility" . (p.33)	(1) "It [The ISO 9000 system] helped us to [the branch] to rationalize and set up fully documented, regularly updated business processes". (p.32) (2) Mutual understanding and appreciation among departments has been enhanced, since clear job definitions for each responsible department and individual were made after extensive discussion. (3) "It has sharpened our [the company's] competitive edge and create an even public image. (4) "The chance for defects to occur is reduced, which means less need for repair work. This trims operational costs" . (p.33)	(1)"It is no use saying you're good. you've got to have something to prove it, ISO 9002, being recognized worldwide as a quality standard, is a good way of showing quality achievements. (p.33) (2) "Our top management committed----is the key to the faced pro

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# 6 October 94 (pp.20-21)	Titron Media Co Ltd---- Trading/Marketing	(1) It now has three factories in Mainland China and able to serve the worldwide market , both in the original equipment and duplicator markets. (p.20) (2) Products/ Services: Trading and making V-Os	(1) To ensure accurate information to be passed on among different regional offices, so structuration under the ISO 9000 system is needed. (2) It targets at a global/worldwide market. (p.20)	(1) "It [ISO] is also flexible enough to reflect what you've already been carrying out in your company structure.... [Therefore,] Titron found that there was no need to change its day-to-day operations or manufacturing procedures in order to fit into ISO 9000 quality management standards" (p.20)	(1) Staff's commitment to quality becomes even clearer. (p.21) (2) Management response became more focused as the targets are delineated."	(1) "I [Barbara Yau, Director and General Manager of Titron] think the main thing to keep in mind when committing to any kind of quality management system is that certification is not the end result, it's just the beginning. Receipts of this endorsement means changing your altitude, making a lifetime commitment to what is best for the company. You have to be willing to see this commitment through, not just some times, but every day." (p.21)

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#7 November 94 pp.41-43	Kaifa Technology (HK) Ltd (Hard Disk Drive Head Division) ----- Electronics/ Computer industry	(1) A high-tech joint venture comprising the largest computer center in the Mainland China. (2) One of the world's largest composite magnetic disk head manufacturers. (3) Products/ Services: Manufacturing and distribution of innovative and quality computer, electronic, telecommunications and card products for the international market.	(1) The adoption of ISO 9002 standard is considered as a result of "its continued dedication to quality and customer service". (p.41) (2) "Many customers consider it an essential standard in the market." (p.41) (3) "As more and more companies continue to obtain ISO certifications, the ISO standards system is becoming an accepted manufacturing concept in the PRC and Hong Kong".	(1) Facilitator: A quality had been in place even before the implementation of ISO 9002 quality standard. "The company's own quality system was assessed and brought in line with ISO requirements". (P.42) (2) Problem: "The ISO process was temporarily suspended when Kaifa relocated its PRC-based plant from Shekou to Shenzhen.". (p.24) But it was resumed in July of that year.	(1) Help the company to maintain its competitive edge by providing its customers with this assurance of international standards. (2) "One positive benefit of ISO implementations has been enhanced communication between Shenzhen and Hongkong offices." (p.42) (3) "Also, as staff have become familiar with the concept of ISO and the quality management system, they have gained a better insight into their work as it is implemented within a quality-oriented procedural system."(p.42)	(1) "Once our customers realize that Kaifa follows ISO standards in its quality operations and procedures that creates an enormous amount of confidence" (2) "Obtaining ISO accreditation is one way of maintaining a competitive advantage in whatever area a com

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#8 December 94 pp.41-42	Renley Watch Manufacturing Company ----Watch Manufacturing industry	(1) The first Hong Kong watch manufacturer achieved ISO 9000 certificate from HKQAA (Hong Kong Quality Assurance Agency). (2) Products/ Services: Performing the business of OEM watch manufacturing.	(1) To upgrade H.K. watcher's quality (2) The speaker defines the company as a high-quality manufacturer, and "I [he] could see in the long run this would be required by the customers.	(1) Difficulties: It is hard to convince its staff who have worked in the company for 8 to 10 years that a new system was required was not easy at all because "some didn't see any with the existing problem". (p.41) (2) Solution: Involvement of top management is a key factor in their success. (3) Advantage: "The process [of ISO 9000 implementation] was made easier by the fact that we already had a reasonable system in place which provided a good foundation for further improvement". (p.41)	(1)Helped lower the wastage of its products (2) Had better control delivery time (3) Used components suppliers more effectively (4) Also helped improve understanding between staff and departments (5) Customers are 'happy' to see them to have ISO 9000 accreditation	(1) "An ISO 9000 certificate is not an immediate necessity for Hongkong's watch industry, in the long run this would definitely be instrumental to success." (p.42) (2) "If Hongkong manufacturers continue to make poor quality watches, they will face very stiff competition from mainland China and Taiwan. The only way to survive and improve business is to improve the quality of our products" (p.42) (3) The major key to success is that "if you just instruct staff, it won't work. Top managers m (4) A high quality system is a prerequisite for you to run a high quality product

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#9 December 1994 pp.46-48	Lafe Computer Magnetics Co. Ltd. --- Electronics/Computer Industry	(1) One of the top ten in the industry over the world and it possesses an edge in quality control and the use of technology. (2) It is the fourth industrial company granted ISO 9000 in Hong Kong since the publication of ISO 9000 standards and also the winner of the Governor's Award for industry and the HKPC Award. (3) Products/ Services: Manufacture of magnetic recording head assemblies.	(1) To improve production process so that they can get everything right at the first time. (2) It does not aim to be the biggest, but the one who concentrates on making high-end (high technology and high quality) products. (3) They adopt ISO because their customers depend on them to produce defect-free production.	(1) Not clearly stated.	(1)By continuous tracking of its product manufacture cycle times and inventory levels that they are able to identify and correct production problems much more quickly. (p.47)	(1) "Many H.K. companies currently profiting from the inexpensive labor available in the PRC, but we believe that this advantage will disappear in a few years, resulting in a very competitive market. Our group's focus is (in) longer term ----we aim to maintain our position by setting up a high-technology, high-quality manufacturing capacity." (p.46)

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#10 January/ February 1995 Pp. 30-33.	C & C Offset Printing Co. Ltd. ---- Printing Industry	(1) The first book printer to obtain an certification for its production and management systems, in conformance with the ISO 9002 requirement. (2)Products / Services: Color books and magazines printing and binding.	(1) The quest for quality is a longstanding one, emanating from its policy of "excellent service, quality products". (2) Targeted to enable the company to perform functions correctly the first time, reduce errors and discrepancies , and minimize complains.	Difficulty and solutions: (1) Some colleagues were at first skeptical, felt ISO 9000 requirement as idealistic, and too much documentation was required; (2) Close supervisions were needed at the very beginning; (3) But the directors became enthusiastic when they considered the need to achieve quality systematically, rather than on an ad hoc basis.	(1) Helped control every production process (2) Achieved continuous improvement in quality (3) Improved team spirit ---everybody knows what s/he needs to do (4) Production have had higher yield and lower wastage (5) Needless of experienced supervisors because of the existence of a sound documentation system (6) Has proved to be profitable to make an investment in quality	(1) "the[The] company's desire to obtain ISO 9000 certification was not market driven ---few of its customers requested the standard ---, [but] it was congratulated by its clients who acknowledge its achievement." (2) "They feel that they are part of the general international trend towards ISO 9000." (p.32)

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#11 April 1995 (p.27-29)	Wing Sang Bakelite Electrical Mfy. Ltd. (Hairsetter Section) ---- Electrical Manufactory	(1) "Its turnover is 300,000 pieces per month which are exported to the United States of America and Europe." (p.27) (2) Products / Services: Manufacturing hair setters, professional and domestic curling irons, hot air brushes, hair clippers, hair crimpers, auto accessories and fluorescent products, bakelite electrical component and kitchenware.	(1) "[O]btaining the certificate would be an excellent way of commemorating the achievements of the past 35 years" (p.27) (2) "[T]o improve internal communications, manufacturing techniques, and coordination and communication between people." (p.28)	Problems: (1) Workers on assembly lines tend to take up less-production procedures that do not fit with the requirements of ISO 9000, so supervisors must monitor their work. (2) Explanation is needed when using ISO 9000 procedures.	(1) "[C]reated a better image of the company to customers. (2) [N]ew systems help generate channel via which employees can air problems. (3) Discussion induced by the ISO 9000 system brought about real action and correction.	(1) "Obtaining ISO certificate is only half the battle." (p.28) "Now that 'the baby has finally been born', we will face even more difficulties. We still have to press to keep up standards, and after metaphorically making a 100-meter sprint to acquire ISO certification we will experience difficulty in maintaining the system in the long run." (p.28) (2) "[W]e are aiming for consistency of quality and prompt delivery. This is a promise to our customers from all of our staff right up to the Board of Directors level; everyone has to make the commitment." (p.28)

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#12 May 1995 PP. 34-36	Bauhinia Paint Manufacturing Ltd ---- Paints and Coatings Industry	(1) Was the first large-scale paint manufacturer in H.K. to obtain ISO certification. (2) Products/ Services Producing architectural paints, furniture enamel, automobile spray lacquer and industrial paints.	(1) "Because of our close relationship with government departments, we realized the importance of gaining ISO accreditation, and at the end of 1993 we decided to apply for the certificate." (p.34) (2) To give client confidence in the quality of their products.	Facilitators: (1) "We [They] were very confidence because all department heads worked very closely together and were very cooperative we [they] understood one another's problems and could meet to solve them" (p.35); and (2) Received strong support from the Broad of Directors. (3) "Shop-floor staff were all aware of the importance of gaining ISO certification and co-operated throughout the build up to audit." (p.35)	(1) It is still too early to quantify all the benefits that it has gained from obtaining ISO certification, but some benefits are very obvious: (2) Able to reduce stock to the most economical level; (3) Inter-department cooperation has been improved; (4) and it is believed production efficiency and management could be improved.	(1) "Company management knows that markets are changing, not only in Hong Kong, but around the world, and that ISO certificate is necessary." (p.35)

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#13 June 1995 pp.35-36	Group Sense Limited --- Electronic industry	(1) One of the few giant companies in the global market (the biggest in Hong Kong) (2) Products/ Services Design and manufacture: translators, toys, pagers, security and telecommunications products.	(1) Instead of being driven by their customers, they think that quality products and services instead of price should be essential to compete in such a competitive world.	Facilitators: (1) Young age of top management and the newness of the company contribute to the reduction of resistance (2) Top management's commitment does help a lot to solve the problems encountered.	(1) Materials that was previously unclearly marked and left lying around in the PRC has now been rearranged in a tidy way. (2) Errors have been reduced. (3) Problems are located and can be solved now.	(1)"ISO only gives a procedural system. The next step is to keep management techniques, so we have started the TQM process." (p.36)

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#14 July 1995 pp. 28-29	ATR manufacturing Ltd----- Electronics Industry	(1) Products/ Services Manufacturing of electronic devices with through-hole to surface mount assemblies. Electronic control device assembly for OEM, power devices-- AC/DC adaptors, transformers and battery chargers.	(1) Although not receiving pressure from customers, the company's founding members, being the engineers, stress the importance of quality. (2) Having developed a system similar with that of ISO requirements, the board decided to apply for the officially recognized standard of ISO 9000.	Facilitators: (1) Very little resistance are found because most of the middle level management and staff had previously worked in large companies in H.K. that had already obtained the certificate. (2) The previous system met the ISO requirements in most cases. (3) Potential problem: An opening of other factory would stretch the resource used to run the ISO in the original plant. (p.29)	(1) "With more documents it is easier to let everyone know what we [they] are doing." (p.28) (2) All staff concentrated on doing their work more carefully. (3) Helped tackle the problems brought about by the increased training workload resulted from the 10-percent annual labour turnover.	(1) "[T]otal quality management is an essential part of ATR's system, and he said that the concept it would be fully developed and implemented in the near future." (p.29)

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#15 September 1995 pp.32-34	Mobil Oil Hong Kong Ltd (Fuels/ LPG/ Chemicals & Solvents) ----Petroleum Industry	(1) Oligopoly. The first occasion that an oil company has achieved ISO 9001 certificate for its entire services station network anywhere in the world. (2) Products/ Services: Supplier of quality petroleum products in Hong Kong, Macau and PRC	(1) It would be of great benefit to the stations and would attract good publicity. (2) "We have [Mobil has] a long tradition of quality control at Mobil." (p.32)	Problem: (1) A lot of non-conformances were found in the beginning stage and which indicated that the service stations were not well prepared, but team effort finally solved it. Facilitators: (2) The whole stage of ISO implementation is supported by the strong dealer network. (3) "Mobil has concentrated on TQM and there is our real aim- ISO is only the recent tooling. However, TQM is very difficult to measure. ISO certification is one way of showing our commitment to quality and to our customers, commitment which is regularly measured by certification bodies."	(1) Public image of the company has been improved.	(1) "Every company needs good quality products for survival, and to provide good quality products a company needs a good quality system." (p.33)

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#16 pp.32-33	Ciba-Geigy (Hong Kong) Limited (dyestuffs and chemicals division) ----Chemical industry	(1) The first dyestuffs and chemical supplier to be awarded the qualification. (2) Holding major market share for supplying dyes and chemicals to the territory. (2) Products / Services: Research, development, manufacturing and marketing of a wide range of dyes and chemicals for applications in the textile, detergent, cosmetics, paper and leather industries.	(1)It parent divisions in Switzerland already have ISO 9001 so they were asked to adopt ISO standard. (2) Six years ago, they started TQM, which serves as a ground to acquire ISO certificate. (3) ISO 9000 can give a sense of achievement for their staff, while they did not feel the pressure from customers to get ISO 9000 certificate.	Problem and Solutions: (1) They were over-confident in the initial stage since TQM has been introduced, but it was solved by staff who possessed a good altitude towards quality. (2) It was not hard because it was imposed from the top. (3) "The quality culture was already in place, all we needed was a documentation quality system. So it wasn't really too difficult after all". (p.32)	(1) They think that they are gaining some marketing advantages because they are the first company awarded the certificate. (2) Created an atmosphere of solidarity. (3) Enhanced the understanding between the departments (4) Smoothed the operation of the entire division. (5) Greater satisfaction and higher productivity are resulted.	(1) "Quality is not to be achieved once and then forgotten. Quality is an ongoing process." (p.32)

Case #A
Position in the company: Quality Assurance Manager
Industry: Printing Industry
Scope of business: Color books and magazines printing and binding
Standard of Certification: ISO 9002 (in process)
Certification Body: Not yet determined

Case #B
Position in the company: Technical Officer
Industry: Transportation Industry
Scope of business: Transportation, supporting engineering and corporate services, property and commercial development
Standard of Certification: ISO 9001, 9002
Certification Body: Lloyd's Register Quality Assurance Ltd.

Case #C
Position in the company: Engineer
Industry: Manufacturing Industry
Scope of business: Mainly producing engines for ships
Standard of Certification: ISO 9002 (in process)
Certification Body: Hong Kong Quality Assurance Agency

Case #D
Position in the company: Production Manager
Industry: Manufacturing Industry
Scope of business: Metal Refining: refining raw and scrap metals into valuable metals like gold and silver
Standard of Certification: ISO 9002 (in process)
Certification Body: not yet determined

Case #E
Position in the company: Assistant Quantity Survey and Assistant Quality Manager
Industry: Construction Industry
Scope of business: Geotechnical, post-tensioning structures, structural repairs, engineering, heavy lifting and trenchless technology.
Standard of Certification: ISO 9002
Certification Body: Hong Kong Quality Assurance Agency

Case #F
Position in the company: Engineer/ ISO 9000 Officer
Industry: Computer and Electronics Industry
Scope of business: OEM Manufacturer
Standard of Certification: ISO 9002
Certification Body: Hong Kong Quality Assurance Agency

Case #G
Name of the Company: Simon Marketing (HK) Ltd
Position in the company: Director
Industry: Giftware Industry
Scope of business: Providing design and project management of the manufacture and supply of premium/toy promotion merchandise to its customer
Standard of Certification: ISO 9001
Certification Body: Hong Kong Quality Assurance Agency/ British Standards Institution.

Case #H
Name of the Company: Shun Hing Group (including Shun Hing Electric Service Center Ltd., Shun Hing Electric Works and Engineering Co. Ltd., Shun Hing Electronic Trading Co. Ltd., Shun Hing Electronic Trading Co. Ltd., Shun Hing Engineering Co. Ltd., Shun Hing Engineering Contracting Co. Ltd., Shun Hing Forwarders Co. Ltd., Shun Hing JVC Ltd., Shun Hing Technology Co. Ltd, Shun Hing Construction & Engineering Co. Ltd.)
Position in the company: Director of the Training Department
Industry: Electronics, Construction and Service Industry
Scope of business:
-Servicing and installation of electrical products and systems
-Trading and engineering
-Provision of trading service for electrical appliances
-Engineering contracting maintenance works in mechanical and electrical
-Supply and building services engineering works
-Provision of warehousing and logistics services
-Sole agent for JVC audio/ video products
-Supplier of office-automation, telecommunications equipment, professional audio and video systems and office furniture systems
-building construction, building maintenance, civil engineering, interior decoration, construction management
Standard of Certification: ISO 9002
Certification Body: Hong Kong Quality Assurance Agency

Case #I
Position in the company: Quality/ Training Advisor
Industry: Petroleum Industry
Scope of business: Supplier of quality petroleum products
Standard of Certification: ISO 9001/9002
Certification Body: Hong Kong Quality Assurance Agency

Case #J
Position in the company: Production Manager
Industry: Electronics Industry
Scope of business:
Design and manufacture of lead frames for integrated circuits and other semi-conductors

Appendix 3

A Comparison Of The ISO 9000 Standards

ISO 9001 Elements	*9002 Elements*	*9003 Elements*
4.1 Management Responsibility	4.1	4.1
4.2 Quality System	4.2	4.2
4.3 Contract Review	4.3	***
4.4 Design Control	***	***
4.5 Document Control	4.4	4.3
4.6 Purchasing	4.5	***
4.7 Purchaser Supplied Product	4.6	***
4.8 Product I.D. and Traceability	4.7	4.4
4.9 Process Control	4.8	***
4.10 Inspection and Testing	4.9	4.5
4.11 Inspection, Measurement and Test Equipment	4.10	4.6
4.12 Inspection and Test Status	4.11	4.7
4.13 Control Nonconforming Goods	4.12	4.8
4.14 Corrective Action	4.13	***
4.15 Handling, Storage, Etc.	4.14	4.9
4.16 Quality Records	4.15	4.10
4.17 Internal Quality Audits	4.16	***
4.18 Training	4.17	4.11
4.19 Servicing	***	***
4.20 Statistical Techniques	4.18	4.12

*** = Not a requirement under this standard

Source: Clements, R. B., 1993: *Quality Manager's Complete Guide to ISO 9000*

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