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*Using Institutional Theory to Improve Results
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Using Institutional Theory to Improve Results in an Industrial Company

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Introduction

The current world is more and more globalized, with the competence level enhancing day by day and the enterprises having to be prepared to give positive answers to the questions proposed to them. Being prepared to face different kinds of situations is the biggest challenge of their leaders. An action taken in any part of the world will bring enormous consequences in a short period of time. The velocity in which information comes and the way it is analysed and processed will separate the survivors from the losers. Changes happen continuously, demanding of the enterprise frequent revaluations of the trends of the market and its positioning.

The alternatives are many and imprecise towards an obviously uncertain future. The more knowledge an enterprise has about the competitiveness determining factors, the higher is its possibility of being right. It is necessary to interpret those factors to participate of the rival environment in favourable conditions, which means filtering all those information, focusing on the ones that really have impact on your business. The importance and relevance of the theme “Results Improvement” are related to the reality of the industrial enterprises and their difficulty on keeping themselves competitive in a globalized environment. This theme will reinforce that the option for the institutionalization of result methodologies can be a profitable way to the enhancement of the competitiveness of those industrial organizations. Our intention is to demonstrate that together with a politics of collaborators’ participation in the

process of work, the institutionalization of methodologies focused on results can explain why some organizations survive and others fail or have to link themselves to others. This association of variables described below, can be determining for the enterprise success, as we live in the era of knowledge, of the information velocity, of the details ... and the ones who can better associate those variables will have a competitive advantage in relation to the other *players*.

Literature Review

Fonseca and Machado da Silva (2002) observed that supporters of the institutional approach consider that the individual behaviour is modelled by standards created and shared in interaction, but incorporated in the form of objective rules and laws crystallized in society as legitimized conceptions about the efficient manner of organizations operation.

According to Burns and Scapens (2000), the institutional theory that bases analytical studies of organizational changes is the old institutional economy (OIE), and it must not be misunderstood with the entitled new institutional sociology (NIS).

In the economical flow, the origin of the institutional theory is marked by the publication of the article “Why economy is not an evolutionary science?”, by Thorstei Veblen, in 1898 . The strong point of this article was the criticism to the methodological presuppositions of the classical economy, fundamentally within the conception of man as a rationalist individual and of the consequent maximum rationality of his choices (Seckler, 1977).

Veblen refused the concept of *homo economicus*, traditionally considered as determining for the development of the economical system. In opposition to the dominating paradigm he sustained that the customs and the conventions determine the economical behaviour, and that the individual action is influenced by the circumstances and the relations of the institutional nature. This way, “the necessities and desires, the end and the aim, the forms and the manners, the amplitude and the intent of the individual proceedings are functions of an institutional variable of a completely instable and high complex character” (Hodgson, 1994). The complex and instable aspect emphasised by Veblen, was the reason of the theoretical objective he searched for: the analysis of the changing, transforming and innovating process of the economical system. In this argument, there was his main confrontation with the classical thought, which was worried about the conditions of balance and surviving of the system. The

question for Veblen was not in “how things stabilize themselves in a ‘static balance’, other than as they enhance and modify themselves endlessly” (Hodgson, 1994).

The denominated old institutional economy, we can say, forms a very heterogenic theoretic body, as part of this tendency are considered authors like Karl Marx, Vilfredo Pareto, more than those considered empiricists, nationalists, influenced by the Darwinist biology and bonded to the historical German school of the last quarters of the 19th century, as Gustav Schmoller, Adolph Wagner and Wilhem Roscher (Santos, 2003). Due to the doubtful idea in noticing whether the author is institutionalist or not, Santos, (2003) opted to consider as institutionalist authors only the ones in whom there is relative consensus , for instance Thorstein Veblen, Gunnar Myrdal, Charles Lindblom and Douglass C. North.

Considering the institutional theory according to the OIE view, the institution is the principal object of analysis and not the rational and maximizing behaviour of the decision maker owners, as it is practiced by the neoclassical theory. This way, the conception of institution is relevant although there is not a simple and wide accepted definition of it. Burns e Scapens (2000, p. 8) define institution from de version of Barley and Tolbert (1997), that means, “[...] shared presuppositions and accepted by an unquestionable manner, which identify categories of human being actors and their appropriate activities and relationships”. Scapens (1994) mentions that, at the OIE scope, the first definition for institution was made by Veblen, in 1919: “[...] a determined way of thinking common to a group of people”. Santos (2003) gives emphasis to this fact mentioning that, perhaps, the most strong and influential character of the so called Institutional School was Veblen. According to Burns (2000), the most applied idea of institution at the OIE was given by Hamilton (1932), who considers institution as means of thinking or acting in relation to something that prevails and keeps on, and that is inserted in the habits of a group or in the customs of people. This definition brings a social and cultural character and reinforces the importance of habitual behaviour. In this context, Rowsell and Berry (1993) make use of Selznick’s (1957) concepts in his studies, who defined an institution as a natural product of social needs and press. The institution is a social system and it is not seen as a tool only, but as a system that gives meaning to aspiration and to the integration of a group of people. Selznick (1957) found that an institution is like an administrative organization, which he described as a rational instrument defined to do a work. Kostova (1998) advices that for the success of the implementation of the institutionalization, it must be observed the approval signals from the organization employees, their satisfaction at work, their compromise with the organization and their feelings of psychological property about the exercise of their function. The author understands that institutionalization occurs in

two levels: the implementation one and the internalization one. The implementation level is the degree of formal adoption of the practise, expressed in behaviour and objective and explicit actions. The internalization level, by its turn, refers to the incorporation, to the employees, to the values that the practise represents.

The institutional process does not hold only the establishment of practises. According to Kostova (1998), “the institutional process continues after the implementation of practises, going until when the employees give value to the new practises”. He explains that there are two elements that compose the process of organization practises: “the spread of a group of rules” and the “transmission or creation of a meaning for these rules”.

The rules and routines suggest a memory of the organization and they constitute themselves on the basis for the evolution of the organizational behaviour. As Scapens (1994) writes, there are the same for the organization as the genes for the biological process and, in this sense; evolution is not the creation of an optimum behaviour, but purely the reproduction and possible adaptation of the behaviour through the time. Oliver (1997) emphasises that, under the institutional perspectives the enterprises operate inside a social structure of laws, values and assumed presuppositions (taken-for-granted) over what constitutes the appropriate or acceptable economical behaviour. The institutional view suggests that the reasons of the human behaviour extend beyond the economical optimization, to the social justification and obligation.

Methodology

In this work, the concept institutionalization is the priority. In order to understand the development of this process, it is important to mention Oliver (1997), who makes reference to institutionalized activities as those which tend to length, that are socially accepted, resistant to changes and not directly depend on rewards or monitoring for its stay.

Burns and Scapens (2000) use the concepts like habits, routines and institutions to suggest that the administration practise can be kept in routine and, through the time, they can be part of the group of the presuppositions and beliefs deeply installed in the social group culture and accepted by an automatic way, so that people do not even query about them. Managing practises and emerging routines can be characterized as institutionalized when they become widely accepted in the organization and are faced as unquestionable means of managing control. This way, The Administration Results Model (ARM), similar to an institution, corresponds to a group of institutionalized and well accepted routines in the organization, and

such a model hits the other institutions at the organizational circuit as it is shaped by them. Burns and Scapens (2000) still characterize the rules and routine concepts mentioning that the rules are formal statements of proceedings, while the routines are the actual in use proceedings. Zeffane (1996) observes that organizations are narrowed by routines, although the routines are the organization essence, and without it they could not work.

Barley and Tolbert (1997) show a general model of institutionalization through the integration of two theoretical bases: institutional theory and structuring theory.

Giddens' works were recognizably important sources of inspiration for the conception of Barley and Tolbert's model (1997), in which the concepts of the institutional field and the action field are emphasized. Barley and Tolbert (1997), in a way, transformed Giddens' static model by a dynamic model of social structuring, in which the ideas of institution and action interact in a timing dimension, modifying the actors' roles, through the process of codification, incorporation, replying, or reviewing, exteriorization and objectiveness.

Burns and Scapens (2000) work modifies the initial model of Barley and Tolbert (1997) through the introduction of fundamental concepts of the institutional theory, in the OIE form – habits, routines and rules – searching for the nomination of the ARM. Within this context, the notion of roles that was in Barley and Tolbert's (1997) model gives place to the concepts of routines and rules in Burns and Scapens (2000) model. This model presents four processes of fundamental importance, said as codification, incorporation, reproduction and institutionalization.

The dynamics of the model demonstrates the link between the institutional field and the action field. In a first moment, the institutional field codifies institutional principles into rules and routines and, at the sequence, the actors through their actions and interactions – action field – incorporate rules and routines that codify the institutional principles. The actors' repetitive behaviour provokes the repetition of rules and routines and, finally these routines and rules become institutionalized, constructing new elements of the institutional field. We can see in Figure 2 how this plan is processed.

From the implementation of the ARM model, the main adopted concepts are:

- **Focus on the high-impact indicators:** The indicators to be used are: Usefulness of Raw Material (Final First Product Kgs/ Total of Used Raw Material), Productivity (First

Product Produced Meters/ Total of Used Employees/Hour) and External Clients Satisfaction / Total of Produced Meters).

- **Internal Client x Internal Supplier Concept:** The process of the industrial manufacturing gets through many productive stages in some cases needing to go through till six stages / sectors (example: mixing, flattening, engraving, printing, micro-perforation and polishing). This concept, through consciousness and control, makes each sector contribute for the final results (everyone being part of the same team).
- **Collaborator's commitment to the results:** An Improvement Participation Program (IPP) is implemented, where all the collaborators are trained and put aware of the necessity of improving the results. This way, a part of the obtained gain (ex.: till 30% of the monthly salary) is distributed for the production collaborators (Gain-gain relation)
- **Standardization of the production process:** Many procedures and work instructions are implemented, with the aim of having an efficient and trustable control. Controls are standardized in all sectors and competences of all the operational functions are defined.
- **Search for the External Clients' Satisfaction:** Periodical researches about the clients satisfaction are implemented, moreover many trainings with all the collaborators, showing the importance of attending them well.
- **Quickness and Clearness with information:** With the implementation of the processes control, information runs faster and with a high level of righteousness. The enterprise must also star to inform all the collaborators about the Operational Profit (OP).
- **Continuing Training for the Factoring Collaborators:** The Technical Qualifying Attendance (TQA) is implemented, a developed tool for the operational training, regarding all the functions of the sectors, and under which, in a routine and continuous way, all the operators are evaluated and trained on the necessary competences aiming as a goal the improvement of the industrial indicators.

The Industrial area must be responsible by the definition and introduction of the new proceedings, processes, descriptives and operation manuals, etc. The Organizational

Development area must also have an important participation on the definition of the TQA and IPP tools, as well as on the training support for the operational collaborators.

Results and Concluding Remarks

The analysis and discussion about the institutionalization of the Administration Results Model (ARM), according to Burns and Scapens model, must initiate only after the definition of the institutional parameters, what is possible from the identification of the elements and the verified processes in the theoretical allusions, which demonstrate when new routines and habits are converted into institutions. The same way, the discussions will not have consistence without the data survey through interviews with the administration group that participates of the implementation of the ARM process, as also without the analysis of the papers, and, finally, without the application of the research questionnaire to the group of the operational leaders.

According to Burns and Scapens (2000), there will always be institutions before any efforts from the actors in order to introduce changes and, this way, they will influence the changing processes.

We can say, then, that on processes which may generate changes, whether in their operational, proceedings, attitude processes, or even in the organization collaborators' behaviour, the Institutional Theory appears to be an efficient model to be followed.

After the beginning of the process of the implementation of ARM, the process of dissatisfaction in relation to the enterprise results may go back. Then, a changing process must start, through some principles at the ideal of the administrators who lead this process. The administrators of the industrial area that participate in this work shall verify improvements according to the following concepts:

- (i) to contribute in order to make the improvements of the industrial results reflect a better economical result for the enterprise;
- (ii) to create a model for the administrative and technical information of the industrial process to administrators, in order to make adjustments and interferences occur at real time;
- (iii) to motivate and make all the collaborators conscious of the practise of this new model, and through the administration of indicators reward them due to their efforts;

- (iv) to spread the concepts of internal client and supplier, contributing to the search of satisfaction from the external clients; and
- (v) to make the organization aims and results clearer to all the organization collaborators. After the implementation of the model, we can observe that it reflects, after the changes, the idealized institutional principles.

Following the proposed model by Burns and Scapens (2000), and considering the fundamental process for the results in the industrial areas, improvements are warranted through the ARM institutionalization.

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