

Can Institutional Theory Be Critical?

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Institutional theory and critical management studies (CMS) have much in common. They both challenge the hegemony of economic explanations of the social world by questioning the prevailing assumption that efficient production is both a necessary and proper organizational objective. The focus of CMS is on “the social injustice and environmental destructiveness of the broader social and economic systems that . . . managers and organizations serve and reproduce” (Adler, Forbes, & Willmott, 2007, p. 119). Institutional theory, similarly “is an approach to understanding organizations and management practices as the product of social rather than economic pressures. It has become a popular perspective within management theory because of its ability to explain organizational behaviors that defy economic rationality” (Suddaby, 2013, p. 379).

Both theories trace their philosophical antecedents to German Idealism and are rooted in a reaction against the Kantian assumptions of objectivity. Thus, critical theorists and institutional theorists agree, at least implicitly, that the world is largely a product of subjective interpretation. Social structures, such as organizations and institutions, gain their essence not from an empirical reality but, rather, as a result of how they are perceived and categorized based on a shared history of perception (see R. Meyer, 2008, for the philosophical roots of neo-institutionalism and Held, 1980, for critical theory). Both theories, similarly, draw from Hegelian assumptions that reject the notion that human experience (culture and society) are epiphenomena that can be reduced to economic rationality. Instead, the theories largely grant assumptive privilege to culture and society (Marxist-inspired CMS theorists being a notable exception) and argue that economic explanations can, ultimately, be reduced to more fundamental socio-cultural causes.

The privileging of socio-cultural causes is perhaps most apparent in critical management theory, which has adopted a powerful normative element in both its theoretical and empirical focus. Human emancipation and “real” democracy are powerful guiding themes for critical theory (Alvesson & Willmott, 1996). These themes have encouraged critical researchers in management schools to resist the temptation of adopting the viewpoint of managerial or shareholder elites in their efforts to understand organizations (Alvesson & Deetz, 2000; Alvesson & Willmott, 2003). Within critical theory, thus, adopting a socio-cultural lens to view the world is thought to offer the basis for human agency.

Institutional theory, by contrast, uses the same philosophical assumptions to explain why humans *lack* agency. A foundational argument of institutional theory is that organizations exist in social contexts in which the rules of appropriate behavior are defined, not by economic rationality, but rather by prevailing myths of appropriate conduct (J. W. Meyer & Rowan, 1977) that become so cognitively embedded that they influence managerial assumptions of efficiency and rationality (Zucker, 1977). As a result, human agency, in institutional theory, is “embedded” or made subordinate to shared norms that, once institutionalized, take on a rule-like status.

Both institutional theory and critical theory have drifted substantially from their philosophical roots. The drift is perhaps most obvious in institutional theory, which has moved in three distinct stages, from its roots in phenomenology, often called the “old” institutionalism (see Selznick, 1996; Stinchcombe, 1997), to a high degree of structural determinism (i.e., DiMaggio & Powell, 1983), and eventually to a new focus on institutional agency (Oliver, 1991) and change (Greenwood, Suddaby, & Hinings, 2002), which critics describe as an attempt to smuggle contingency theory “in the back door” (Mutch, 2007).

Critical theory, by contrast, can be viewed as existing in two distinct phases: a narrow and a broad phase. The narrow phase of CMS adheres closely to the philosophical project that emerged from the Frankfurt School of the 1930s, which tried to counterbalance the emerging totalitarianism of positivist science by tempering it with elements of human reflexivity and morality. Over time, this narrow form of critical theory has expanded into a broader range of projects that include, variously, post-colonialism, post-structuralism, discourse theory, feminism, globalization, and a broad range of associated theoretical and empirical projects (see Adler et al., 2007, for a summary).

As a result, both theories have fragmented into a range of sub-disciplines that often appear unrelated to each other. Both critical theory (Delbridge, 2014) and institutional theory (Suddaby, 2010) have been accused of losing their

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internal coherence because their core philosophical projects have been abandoned or hijacked by other, more imperialist academic projects.

So institutional theory and critical theory share a broad “family resemblance.” They differ, however, in their respective trajectories within management studies. While both start as “outsiders” offering immanent critiques of the hegemony of scientific and economic positivism, neo-institutional theory has grown in popularity and centrality, and has been described as a dominant influence in management theory (Greenwood, Oliver, Sahlin, & Suddaby, 2008). By contrast, the membership in the CMS group at the Academy of Management has declined from 845 members in 2006 (Adler et al., 2007) to 666 members in 2013, where the relevance and future of CMS continue to be debated.

How do we explain these different trajectories? One possible explanation is that, in contrast to critical theory, which has retained its core epistemological and methodological integrity, neo-institutionalism has been quick to abandon its key theoretical tenets in its attempt to acquire “scientific respectability” and the concomitant access to elite management journals.

Perhaps the most obvious illustration of this is in how institutional theory has dismissed history in its epistemology and methods and replaced it with time as a central variable (Suddaby, Foster, & Mills, 2014). That is, institutional theory has become “a-historical” substituting a complex and nuanced construct (i.e., history) with a discrete and measurable proxy (time). Time-series correlation analyses are typically used to study the adoption of institutionalized practices instead of the more detailed and nuanced approaches used by traditional historians.

There are a number of serious consequences to this. The most troubling is that, although we understand that institutions are, by definition, enduring social structures that exist over very long time frames and that institutionalization is a complex and contextually nuanced causal process, most contemporary neo-institutional research covers extremely short time frames, and complex causal threads are reduced to a series of relatively discrete and measureable variables (Suddaby & Greenwood, 2009). The complex causality of history is reduced to the overly simplistic variable of time. Institutional research, thus, has become essentialist, studying the outcomes of institutional processes rather than developing a rich understanding of the sources of dynamics of those processes.

Critical theory, by contrast, has not lost its deep appreciation of the important role of history, both as a phenomenon to be studied and a method by which to study social institutions. The “new historicism” in CMS challenged traditional historians with the observation that most historical research tended to privilege material, technological, and economic elements of history and largely ignored the importance of culture, class, and social norms and values (Reed, 1996). In true Hegelian form, CMS has adopted the nuanced, causally

complex and socially sensitive approach to institutional change that neo-institutionalism largely abandoned in the mid-1980s. Indeed, the detailed case studies that unmask institutionalized power and social change in “expose” style as exemplified by Selznick (1949), Messinger (1955), and Zald and Denton (1963), which form the historical heart of institutional theory, could easily be described as exemplars of the “new historicism” of CMS today. One could never accuse CMS of becoming essentialist.

In sum, thus, while both institutional theory and critical theory emerged, in management studies, as a reaction to hegemonic economic theory, institutional theory has, perhaps ironically, itself become hegemonic and has, as a result, lost its theoretical reflexivity. While institutional theory was perhaps once critical, that capacity has been eroded substantially in its transition from old to new institutionalism, and likely has been lost completely with its current “Trojan horse” project of repurposing contingency theory.

Is this a significant problem for management research? No, I don’t think so. In *The Chaos of Disciplines*, Andrew Abbott (2001) observes that social science advances, not through the illusion of knowledge accumulation within a single paradigm, but rather through ongoing oppositions in thought and method that inherently occur across paradigms. Our knowledge evolves in an emerging ecology of ideas. In the context of management theory, thus, the counterpoint and tension that exist between the now imperialist tendencies of neo-institutionalism and the responding critiques of other schools, including critical theory, will advance understanding. Likely this will not occur within institutional theory, or within critical theory, but rather will occur in the broader field of management studies as a result of the inherent tension that occurs between the center and periphery of our ecology of ideas. Neo-institutionalism, once a critic of contingency theory, now occupies the throne. If patterns hold, CMS will have its day.

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