Institutional complexity and Institutional logics: much achieved but more to be done

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Abstract

There has been an expanse of literature concerning institutional complexity and institutional logics. This literature has covered a range of sectors from healthcare to financial services. Extant research has also focused on particular themes such as organisational responses and hybrid organisations. Whilst research has certainly progressed rapidly, a number of critical gaps in the literature exist. This article briefly reviews the relevant literature as context for locating these research gaps and suggests future research in the areas concerned namely that of work stress, organisational culture, organisational risk and the fourth industrial revolution.

Key words: institutional complexity, institutional logics, work stress, organisational risk, organisational culture and the fourth industrial revolution.

Introduction

In the context of globalisation and the changing nature of work and organisations, institutional complexity and institutional logics continue to have a dynamic impact upon organisations.

Institutional complexity is embedded in institutional theory and is receiving increased interest by scholars. Institutional logics have developed into being a prevalent component of modern institutional theorising (Smets at al, 2015a) and have become a key sub theme not only in institutional theory but in organisation studies (Edwards, 2014).

Organisations experience institutional complexity when they encounter competing prescriptions from many institutional logics (Greenwood et al, 2011). Institutional logics are the organising principles which guide the behaviour of individual actors (Friedland and Alford, 1991; Reay and Hinings, 2009; Thornton and Ocasio, 1999; Thornton et al, 2012).

Whilst there has been an explosion of research into institutional complexity and institutional logics, a number of avenues exist for future research which will further contribute to theory development and empirical inquiry. These are occupational stress, organisational culture, organisational risk and the fourth industrial revolution. Each are elaborated further following a review of extant literature as context for the locale of these research gaps.

Institutional Complexity and Institutional Logic Dynamics

The term 'institutional complexity' was developed by Greenwood et al (2010). The seminal work of Greenwood and his colleagues (Greenwood et al, 2010, 2011) precipitated scholarly research into the field of institutional complexity. Alford and Friedland (1985) introduced the term institutional logics. This was then further developed by these scholars (Friedland and Alford, 1991) in their seminal work in which they posited an institutional metatheory (Thornton, Ocasio and Lounsbury, 2012). Friedland and Alford suggested that each sector in society is characterised by a key central logic which is connected with a "set of material practices and symbolic constructions" (1991, p248) which shape the behaviour of actors. Friedland and Alford discussed a range of institutional orders namely the state, market, democracy, family and religion, each of which had a central logic. The seminal research of Friedland and Alford (1991) aided the understanding of the broader arrangement of mechanisms by individuals and organisations (Thornton, Ocasio and Lounsbury, 2012). Whilst the work of Friedland and Alford primarily focused upon society level logics, it precipitated academic research looking at institutional logics at macro, meso and micro levels (McPherson and Sauder, 2013; Thornton, Ocasio and Lounsbury, 2012)

including the individual and organisational unit of analysis. Thornton, Ocasio and Lounsbury (2012) theoretically elaborated on institutional logics and by doing so provided greater clarity and synthesis. They developed supporting micro foundations for the institutional logics perspective emphasising how "decision making", "sense making" and "mobilisation" (pp 95-98) play a central part in organisational identities and practices.

Research in Institutional complexity and/or institutional logics has covered a number of sectors such as healthcare (e.g. Andersson and Liff, 2018; Currie and Spyridonidis, 2016; D'Aunno et al, 2000; Dunn and Jones, 2010; Reay and Hinings, 2005), financial services (e.g. Lounsbury, 2007; Zajac and Westphal, 2004), social services (e.g. Pache and Santos, 2011; Tracey et al, 2011), professional services (e.g. Greenwood and Suddaby, 2006; Malhotra and Morris, 2009; Smets et al, 2012; Thornton et al, 2005), telecommunications (e.g. Djelic and Ainamo (2005), social enterprises (e.g. Dacin et al, 2011; Mars and Lounsbury, 2009; Smith et al, 2013) and publishing (e.g. Thornton, 2002; Thornton et al, 2005). Extant research has identified a variety of institutional logics. In professional work, for example, state, market, corporate and professional logics have been identified (Goodrick and Reay, 2011). Multiple institutional logics can collide, for example, in hospitals where the logics of medicine, law and family do so (Heimer, 1999) and in utilities with respect to regulatory and corporate logics (Jarzabkowski et al, 2009).

Institutional complexity is not static, nor does it exist in a vacuum; it is dynamic in nature, forming and reforming and is experienced by organisations differently and to different extents (Greenwood et al, 2011). Institutional logics are not static either, enabling actors to develop and change extant logics (Thornton, Ocasio and Lounsbury, 2012). Institutional logics are therefore malleable. This pliability implies that trade-offs and accommodations may be possible when different logics collide. Actors may be able to use, shape and manipulate particular logics to suit their ends (Edwards, 2014). Logics may also be effectively internalised by staunch proponents and it is this internalisation which is a key feature of agency (Archer, 2003, Edwards, 2014). Logics influence and direct the actions of organisations and individual actors (Thornton and Ocasio, 2008). Individuals can be a part of a number of social and professional groups. Allegiance and compulsion towards a particular group logic therefore influences motivation and behaviour. This directly and indirectly can inform individual and organisational outcomes. Whilst extant research has

primarily demonstrated that adherence to particular logics is related to specific subgroups (e.g. professions), actors can have a repertoire of logics from which they actively choose from depending upon the specific need (McPherson and Sauder 2013).

Institutional complexity may frustrate and perplex organisations and actors within organisations and pose management challenges (Battilana and Dorado, 2010; Battilana et al, 2015; Toubiana and Zietsma, 2017). Left unchecked, institutional complexity may therefore result in deleterious implications for organisations and individuals and consequently, requires appropriate responses. It is important to note however, that institutional complexity may also "become a basis for improvisation and innovation, as actors treat the sets of alternative values, ideas, beliefs, and practices as resources for the creative assembly of new social combinations" (Bertels and Lawrence, 2016, p338).

The dynamics of competing institutional logics has been a key consideration in extant research. Some studies (e.g. Reay and Hinings, 2005) have highlighted the power struggles of the exponents of competing institutional logics. Other studies (e.g. Marquis and Lounsbury, 2007) have shown how competing logics can facilitate resistance to organisational change. Besharov and Smith (2014) identified a complex number of relationships regarding multiple institutional logics and in doing so provided critical insight into logic multiplicity within organisations. They argued that dependent upon the extent to which institutional logics were either mutually central or compatible, competing institutional logics were viewed as either contested, estranged, aligned, or dominant, by organisational actors. Whilst a single institutional logic may be dominate in a particular field, multiple competing logics may co-exist in exactly the same field (Reay and Hinings, 2005; Thornton and Ocasio, 1999). There may also be jurisdictional overlap of competing institutional logics (Thornton, Ocasio and Lounsbury, 2012); logics may coexist in a state of dynamic tension (Smets et al, 2015b) and there may be uneasy truces amongst competing logics (Reay and Hinings, 2009).

Responses

Responses to institutional complexity have primarily been at the organisational and individual levels of analysis. These responses are salient particularly given the potential

consequences of institutional complexity upon organisations and individual actors. As Greenwood et al (2011) powerfully put it:

> "responses are important because they can have major implications for social legitimacy and thus an organisations access to critical resources. Organisational survival may even be at stake" (p319).

Scholars have proposed a range of strategic and structural organisational responses such as compromising, avoidance, defiance, manipulation (Oliver, 1991), compartmentalisation (Kraatz and Block, 2008), decoupling (Meyer and Rowan, 1977), and selective coupling (Pache and Santos, 2013a). Such responses look at organisations as unitary players responding to pressures but neglect intrinsic organisational dynamics (Pache and Santos, 2010). Organisations may also attempt to integrate competing institutional logics through collaborative efforts via formal processes and procedures (Battilana et al, 2015; Canales, 2014). Bertels and Lawrence (2016) explicitly looked at situations where newly emerging institutional logics challenged well-established and entrenched logics. They identified four sets of organisational responses to newly emerging institutional logics namely, reinterpretation, advocacy, isolation, and integration.

Pache and Santos (2013b) looked at individual responses to competing institutional logics. They located five types of specific individual responses namely that of ignorance, compliance, defiance, compartmentalisation and combination. They found that individual responses became particularly difficult to foretell when actors worked in environments which were entrenched in multiple and competing institutional logics. Reay et al (2017) cited reframing the interpretation of a dominant logic as an individual level response whilst Andersson and Liff (2018) identified co-optation which was the adoption of a facet from a different institutional logic which retained the salient element/s of its own institutional logic.

Suggestions for future research

Extant research has been conducted in different sectors and has focused on a number of areas including the variety of institutional logics, logic competition and organisational responses. Whilst research into institutional complexity and institutional logics have

evolved rapidly, there are a number of research gaps which need to be addressed. Four propositions are therefore, put forward below, each of which are worth exploring further as they constitute different avenues for locating future research in order to take forward theory development and empirical inquiry.

Proposition 1 – Occupational stress may affect how decision makers manage and respond to institutional complexity.

The relationship between institutional complexity and work stress has not been explored by scholars. What has not been studied is the impact of work stress on decision makers when managing institutional complexity and how this affects their responses to such complexity. It is posited that stress may affect how decision makers manage and respond to institutional complexity dynamics. Furthermore, institutional complexity itself may generate occupational stress for decision makers.

Stress is a complex transaction between the person and the environment (Dewe and O'Driscoll, 2002) and it is conceivable that this could impact the way decision makers manage and respond to institutional complexity challenges. In other words, stress conditions could result in a different response than would have otherwise been the case. Stress, could, for example, result in decision makers adopting a harsher response to an institutional complexity challenge. Conversely, stress may result in decision makers 'capitulating' and adopting an alternative institutional logic. The relationship between work stress and institutional complexity is a key area warranting further research as this may impact institutional complexity dynamics.

Proposition 2 – Organisational culture may be a key organisational filter for institutional complexity which in turn influences organisational level responses.

Greenwood et al (2011) emphasised the importance of organisational filters in shaping organisational experiences of institutional complexity and in turn influencing organisational responses to institutional complexity. These scholars suggest that ownership, governance, identity and structure are key organisational filters. It can be contended that organisational culture may also be a key organisational filter for

institutional complexity and that this in turn helps shape organisational responses to institutional complexity.

There are a number of established models for exploring organisational culture (e.g. Goffee and Jones, 1996; Johnson, 1992; Schein, 1983). Johnson's 'cultural web' model has the cultural paradigm at its epicentre and he argues that it is this cultural paradigm which acts as a filter (Johnson, 1992). It is conceivable, therefore, that organisational culture could act as a filter for institutional complexity and that organisational culture, as a filter, helps shape organisational responses. Goffee and Jones (1996) conceptualised four types of organisational culture namely that of fragmented, networked, communal and mercenary which were examined against critical dimensions of sociability and solidarity. Using organisational culture as a filter, it is conceivable that organisational responses to institutional complexity, for example, could be fragmented consisting of low levels of sociability and solidarity. Organisational responses to institutional complexity could be communal, therefore, having higher levels of sociability and solidarity, and therefore, in effect, being more positive. These dynamics and implications, are therefore, worth further exploration by scholars.

Proposition 3 – Institutional complexity, particularly institutional logic conflicts, may increase organisational risk.

The relationship between Institutional complexity and organisational risk has been under researched. One of the limited studies in this area, namely that of Palermo et al (2017), looked at the reaction to the global financial crisis of 2007-2008. They found a post crisis emphasis of trying to rebalance the logic of "opportunity" (innovation and risk taking) with that of the logic of "precaution" (control and risk regulation). They contended that the relationship of these two competing logics critically reflected a "duality" of avoiding harm verses opportunity which was fundamentally "inherent in the concept of risk itself" (2017, p155). Institutional complexity poses a number of significant questions, not only about risk cultures but also in relation to broader aspects of organisational risk.

Institutional complexity may pose a range of dynamic risks to organisations including financial, operational, reputational and even human risk. For example, in hospital medicine, allegiance to a "medical profession" logic (Reay and Hinings, 2009) may, by

implication, undermine the "business" logic (Reay and Hinings, 2009) thereby, having potential implications for the realisation of operational and financial objectives. Furthermore, there could be ethical implications. Again, in medicine, the pursuit of the business/commercial logic against the professional medicine logic may result in clinicians having to make difficult decisions with respect to patient treatment options. Institutional complexity may have been a factor in some recent corporate scandals which posed significant organisational risk. The 2015 Volkswagen carbon emissions scandal, for example, witnessed the collision of commercial and compliance logics. Institutional complexity may therefore pose a number of potential organisational risks, which left unchecked could result in deleterious organisational consequences. Therefore, the dynamic connections and implications of institutional complexity and organisational risk should be explored in more detail by scholars than has been done thus far. Such research could lead to new and fertile avenues of enquiry and may result in a novel range of dynamic responses being suggested in order to mitigate organisational risk dimensions.

Proposition 4 – The fourth industrial revolution may compound institutional complexity dynamics and lead to the creation of new institutional logics.

The fourth industrial revolution (Schwab, 2016) poses challenges. Schwab posits a major transformation in terms of velocity, scope and system impacts. These impacts may also result in institutional complexity. It is theorised that the fusion of the internet of things, artificial intelligence and biotechnology is likely to exacerbate institutional complexity and create a number of potentially contradictory institutional logics. The logics of 'efficiency', 'innovation', 'automation' and 'speed' can be theorised as likely emergent institutional logics. These potential institutional logics may compete for primacy potentially creating tensions and resulting in unintended organisational consequences. The resultant challenges and implications may call for new and innovative organisational responses than have hitherto been identified by existing research. Moreover, further research is needed in order to understand the potential implications and changes which could be profound given the pace and extent of developments emanating from the fourth industrial revolution. Such change may not only be at the organisational level, but at community and society levels.

Concluding remarks

Whilst research in Institutional complexity and institutional logics has advanced at pace, there continues to be much work to be done to better understand dynamics and implications. It is hoped that this paper has suggested fruitful avenues for future research in the four propositional areas of occupational stress, organisational culture, organisational risk and the fourth industrial revolution and that further insights into these areas will take our understanding of the dynamics of institutional complexity and institutional logics forward.

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