

Management Course V: The Institutional Model

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The institutional management approach can best be appreciated by looking at the ways in which this framework seeks to explain why organizations take the design that they have. Some of the researchers working within this model are Paul DiMaggio and Kenneth Helmut, *Institutional Patterns and Organizations: Culture and Environments*, arguing that “institutional isomorphism” (the tendency of an organization to copy the realities of other organizations in the task market) is the dominant reason that organizations assume the form that they do according to these researchers. Max Weber’s (the great German sociologist, *Economy and Society*) original analysis of the driving force behind the move toward rationalization and bureaucratization was based on the capitalist market economy, with bureaucratization of as an “iron cage” in which humanity was bound, establishing that this process was irreversible.

In the institutional model, researchers make the empirical point that social changes have altered this situation to such a large extent that an alternative explanation is needed. Their analysis is based on the assumptions that organizations exist in “fields” of other similar organizations.

They define organizational field as those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product, consumers, regulatory agencies and other organizations that produce similar products and services. The virtue of this unit of analysis is that it directs attention not simply to competing organizations, as does the population ecology

approach, or to network of organizational but to the totality or to the entire system of relevant actors.

A key emphasis is that organizations become increasingly homogeneous within fields. Thus, universities acquire sameness, as well as department stores, airlines, banks and other corporations. There are at least three reasons for this copy tendency among organizations in a field.

1. Coercive forces from the environment, such as government regulations and cultural expectations, can impose standardization on organizations. Government regulations force other organizations to maintain minimum health standards. Organizations take forms that are institutionalized, legitimated and accepted by the state. Organizational design is at best emergent to the interpreted requirements of the field and/or environment. This is a main argument of John Meyer and Brian Rowan in *Institutionalized Organizations: Formal Structure as Myth and Ceremony*.
2. Organizations mimic, model or copy each other all the time. This occurs as organizations face uncertainty and ambiguity, and look for answers and responses to such a condition in ways in which other organizations in their field have coped with similar realities.

An interesting parenthesis is that in the knowledge era or society, organizations tend to use consulting firms that spread some organizational designs approaches throughout the fields and the markets. If their repertoire is wide, they will help organizations to ponder the effectiveness of different design alternatives. If not, their knowledge specializations will limit leader and organizations to consider more interesting and effective forms. This is

the case when we consider courts, postal systems, military organizations, banks, educational institutions, pharmaceuticals and insurance enterprises following the same organizational design or structure pattern.

Some benchmarking studies end up understanding and copying competitors, thus moving to the same essence of other organizations inside or outside their field. The field is more than simply competitors, and engaging in naive benchmarking studies can lead organizations to copy tendencies within their reality.

3. Normative pressures push organizations toward copying others as the workforce and specially managers and leaders become more professionalized, and also the network within the same field. This situation can end up of having organizations in the same field as barely indistinguishable from others.

As people participate in trade and professional associations, their ideas tend to homogenize!

The institutional perspective views organizational design not as a rational process but as one of both external and internal pressures that lead organizations in the field to resemble one another overtime.

Following this model, strategic choices or attempts at member control are matters of coming from the institutional order in which an organization is embedded. This framework places a strong emphasis on ceremonies, rituals, and symbols.

Organizations in the same field copy each other as they exchange professional people and face common requirements such as governmental, trade, or sectorial policies.

Leaders have to be careful when establishing the ways in which practices and patterns are given values, and how interaction patterns and structures are accepted! In the same line, Lyne Zucker, *The Role of Institutionalization in Culture Persistence*, argues that individual actors within institutions should always be viewed as having feeling, meanings and emotions, and never as only technocratic decision makers.

Organizations are not shaped only by the interpersonal forces, technology or by the demands of a restless environment.

Organizational design is dynamic. Organizations change in size, adopt new technologies, face changing markets or environments. Internal and external cultures adopt new strategies or find old ones and adjust to other organizations in their field.

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