

Global Standardization of Organizational Forms and Management Practices? What New Institutionalism and the Business-Systems Approach Can Learn from Each Other*

Anne Tempel and Peter Walgenbach

University of Erfurt

ABSTRACT The debate as to the effects of globalization on organizational forms and management practices is well known. Our paper focuses on two institutionalist traditions in organization theory which make a significant contribution to this discussion: new institutionalism and the business-systems approach. Both emphasize the adaptation of organizations to their institutional environments but come to very different conclusions as to the global standardization of organizational forms and management practices. Our paper aims to move them beyond the convergence-divergence dichotomy to account for signs of both global standardization and continued persistence of national differences. We do so by systematically comparing the two traditions, suggesting how they can be cross-fertilized and developing an agenda for future empirical research. We also highlight that they cannot learn from each other on the issue of agency and point to structuration theory as a way in which they can integrate agency into their accounts of the global standardization debate.

INTRODUCTION

Since 1945, international trade has grown to unprecedented levels and national economies have become increasingly enmeshed with each other (Held et al, 1999). Transnational production by multinational companies has now replaced exports as the primary form of selling goods and services abroad (UNCTAD, 1997). International capital flows have grown dramatically since the 1970s (Hall and Soskice, 2001; Simmons, 1999). These developments suggest that economies around the world are becoming increasingly integrated with each other (IMF, 2000).

One of the debates surrounding increased economic integration, *or globalization* (for an overview of the debates on globalization, see e.g. Guillen, 2001a; Held and McGrew, 2003), is its effects on organizational forms and management practices, with scholars tending to take a one-sided view, claiming either convergence or continued divergence

Address for reprints: Anne Tempel, University of Erfurt, Nordhaeuser Strasse 63, D-99089 Erfurt, Germany (anne.tempel@uni-erfurt.de).

(cf. Djelic, 1998; Djelic and Quack, 2003a; Guillen, 2001a, 2001b; Kogut, 1991; Kogut and Singh, 1988; Smith and Meiksins, 1995). Such an either/or discussion has developed in the institutionalist strand of organization theory (cf. Djelic and Quack, 2003a). Two leading traditions within this strand, new institutionalism (DiMaggio and Powell, 1991) and the business systems approach (Whitley, 1999), share in common their focus on the adaptation of organizations to institutional environments but come to very different conclusions as to the global standardization of organizational forms and management practices.

New institutionalists tend to emphasize the global diffusion of practices and the adoption of these by organizations, but pay little attention to how such practices are interpreted or 'translated' as they travel around the world (cf. Czarniawska and Sevón, 1996; Sahlin-Andersson and Engwall, 2002). The business systems approach highlights how business continues to be influenced by the national institutional frameworks in which it is embedded, but tends to play down the effects of transnational developments on national patterns of economic organization. Moreover, apart from Djelic (1998) and Djelic and Quack (2003b), very few scholars have sought to cross-fertilize their arguments.

This paper seeks to move the two institutionalist traditions beyond the convergence/divergence dichotomy so that they are better placed to capture signs of both global standardization and continued persistence of differences in organizational forms and management practices in different countries which can be observed in practice. It does so by systematically comparing the two traditions along their key dimensions in order to explain why they come to such different conclusions as to the standardization of practices. Then, on the basis of this comparison, we identify how they can learn from each other through cross-fertilization and set out an agenda for empirical research in the context of the standardization debate to aid researchers to gain a more realistic picture of organizational and management practice. We also show that on one key dimension, that of their portrayal of organizations, cross-fertilization between the two institutionalist traditions is limited and we point to structuration theory (Giddens, 1984) as a possible way in which both can integrate agency into their arguments. We conclude by considering the implications of our proposals for future empirical work. Our discussion commences by providing a brief overview of the two institutionalist traditions.

TWO INSTITUTIONALIST TRADITIONS IN ORGANIZATION THEORY

New Institutionalism

New institutionalism focuses on the influence of the societal or cultural environment on organizations (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Zucker, 1977). New institutionalists argue that assumptions, beliefs and expectations exist in society which determine how firms, schools or hospitals should be organized, why they are useful and which functions they do and do not perform (Scott and Meyer, 1994).

Questioning whether formal organization can be explained through the argument of efficiency, they argue that particular organizational forms exist not because they provide

an optimal input—output balance, but because they correspond to institutionalized expectations. The focus is on the legitimacy which is awarded to organizations by the institutional environment.

Meyer and Rowan (1977) see organizations as institutionally formed entities which can be primarily understood against the background of the global diffusion of the western ideology of rationality (Jepperson and Meyer, 1991; Meyer, 1994). In order to ensure their survival, organizations must comply with the institutionalized expectations of their environment and adopt the expected structures and management practices. The adoption of institutionalized elements leads to an isomorphism of organization and institutional environment.

The isomorphism argument is specified further by DiMaggio and Powell (1983) through the concept of the organizational field. They define an organizational field as consisting of those organizations which, 'in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products' (DiMaggio and Powell, 1983, p. 143). Moreover, DiMaggio and Powell (1983) outline three mechanisms which can lead to isomorphism in an organizational field. Coercive isomorphism results from the pressure which is exerted on an organization by other organizations. The second mechanism is mimetic isomorphism. Under conditions of uncertainty, managers look towards other organizations when designing their structures and processes. The third source of change is normative. It emanates from increasing professionalization in modern societies. Universities, vocational training institutions and professional associations are important sites for the development of common patterns of thought and the communication and diffusion of norms and models of organizing to numerous organizations.

John Meyer and his collaborates (Drori et al, 2003; Meyer, 1987, 1999, 2000; Meyer et al., 1997) have more recently applied the isomorphism argument to a set of 'consultants' such as economists, educators, scientists, or academics, involved in global discourse, producing talk as to what actors, such as firms, 'should be like and should do' (Meyer, 1999, p. 128). Through this global discourse, ideas and concepts are diffused globally.

Scott (1994) emphasizes three factors which influence the extent of isomorphism in an organizational field. The first concerns jurisdiction of belief systems. These systems vary in the distinctiveness and clarity of the boundaries they identify. Similarly, Clemens and Cook (1999) argue that some institutionalized rules or models of action are more mutable than others and distinguish between 'must', 'must not' and 'may' rules. The second factor is the nature of governance systems. Here Scott (1994) points in particular to the influence of the state which can vary significantly between organizational fields. He argues that where state structures are extensive and state influence is strong, less autonomy and power will be granted to structures formally located outside the state. The final factor concerns the structuration of organizational fields. Indications of increased structuration include the increasing awareness in organizations that they share a common meaning system and are involved in related or similar activities, increased interaction among organizations within the field and increased similarity of organizational structures. The greater the degree of structuration, the greater is the degree of isomorphism.

Although the term 'institution' has a central position, new institutionalists have been criticized for failing to provide a clear and detailed definition of institutions (Stinchcombe, 1997) and it is only recently that they have sought to do so (Jepperson, 1991; Scott, 2001; Suchman, 1995). Scott (2001) presents a conceptual framework of the differing nature of institutions and their linkage to different types of rules and enforcement mechanisms. According to him, 'institutions are composed of culture-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life' (Scott, 2001, p. 48). The regulative pillar focuses on the constraining and regularizing aspects of institutions. Central are rule-setting, observation, control and sanctioning of behaviour. The normative pillar concerns the prescriptive, evaluative and obligatory dimension of institutions. Organizations follow norms, not purely because it is directly in their interests on the basis of a cost-benefit calculus, but because compliance is expected and there is a moral obligation to meet expectations. The cognitive pillar concerns those institutions which determine the way in which reality is conceived in a society and through which reality is given meaning. Organizations follow such cognitive patterns, not because of coercion, or because there is a moral obligation to do so, but because they are taken for granted as the way things are done, making other types of behaviour inconceivable.

The Business-Systems Approach

The business-systems approach (Whitley, 1999) is one of a number of approaches which focus on the effect of a range of institutions operating at national level on organizations (see in particular Amable, 2003; Aoki, 2001; Boyer and Drache, 1996; Hall and Soskice, 2001; Hollingsworth and Boyer, 1997; Maurice and Sorge, 2000). In contrast to new institutionalism, it argues that varied systems of economic organization will continue to develop and be reproduced through different institutional arrangements at national level because 'nation states constitute the prevalent arena in which social and political competition is decided in industrial capitalist societies' (Whitley, 1999, p. 19).

In order to compare these varied forms of economic organization or 'business systems', Whitley (1999) proposes a framework which identifies the key characteristics of ideal types of business systems and explains these in terms of variations in particular societal institutions. The framework is underpinned by two key factors. The first is the degree and mode of organizational integration of economic activities, i.e. 'the extent to which, and dominant ways through which, organizational routines, hierarchies and institutionalized expectations co-ordinate economic decisions and actors' (Whitley, 1999, p. 32). The second concerns the 'ways that differently constituted groupings of social actors control economic activities and resources' (Whitley, 1999, p. 32), social actors being the providers and users of capital, customers and suppliers, competitors, firms in different sectors and employers and different kinds of employees. The focus is upon differences in the ways they are organized and compete and co-operate with each other.

It is upon this basis that Whitley (1999) suggests key characteristics for comparing business systems. The first set of characteristics relates to the nature of firms as economic actors in different societies, or 'ownership co-ordination'. This concerns firstly the relationship between owners and managers and the extent of owners' direct involvement in

managing business. The other characteristics of ownership coordination concern the scope of ownership integration of economic activities, i.e. the extent to which the activities of firms are vertically and horizontally diversified.

The next set relates to 'non-ownership coordination', that is forms of authoritative economic co-ordination which are not necessarily equated with the firm but which 'share common obedience to established rules of conduct in the pursuit of collectively agreed goals' (Whitley, 1999, p. 31). They concern three sets of inter-firm relationships, between members of a production chain, between competitors and between firms in different industries. These relationships are argued to range from zero-sum, adversarial contracting and competition to more co-operative, long-term and mutually committed relationships between partners and competitors.

The final set involves the different ways of managing employment relations and work organization in different societies. 'Employment relations' are characterized in terms of the degree of employer-employee interdependence, which refers to the extent to which a reliance on external labour markets or commitment and mutual investment is encouraged. Patterns of 'work organization' are distinguished in terms of the discretion and trust delegated by managers to the bulk of the workforce.

Business systems are made up of a combination of these characteristics which are interconnected with each other. Contradictions between the characteristics would be likely to generate conflicts between groupings of social actors and institutional arrangements, thus suggesting that only a limited number of combinations of business-system characteristics would be reproduced over long periods. Distinctive forms of business system are argued to have become established in particular contexts through the interdependent development of business system characteristics and dominant social institutions during and after industrialization.

The focus is on institutions which govern 'access to critical resources, especially labor and capital' (Whitley, 1999, p. 47) and thus shape the nature of business system characteristics. On the basis of this definition, four different institutional arenas are identified: the state, the financial system, the skill development and control system, and dominant conventions governing trust and authority relations. In the same way as Whitley (1999) stresses interconnections between business systems characteristics, he also highlights the interconnections between the four institutional arenas. Thus, for example, the emergence of a certain type of financial system would reinforce certain patterns of skill development while precluding the development of others, and vice versa.

Distinctive business systems are seen as arising 'in principle . . . wherever key associated institutions are both mutually reinforcing and distinctive from others' (Whitley, 1999, p. 44). However, they are argued to develop primarily at the level of the nation state because state actions determine the effectiveness and role of the institutions which govern ownership, non-ownership co-ordination and employment relations and work organization. The extent of interconnections between dominant institutions is argued to have implications for the distinctiveness of national business systems. Thus, for example, tighter interconnections between institutions in post-war Japan, than in the UK and the USA, are argued to have resulted in the Japanese business system being much more distinctive and homogenous than its Anglo-American counterparts (Whitley, 1999, 2005). The level of interconnections between institutions is also argued to have implica-

tions for change in national business systems. Where major institutions are strongly interdependent, it is argued that business system change is unlikely to occur unless there are significant changes in the institutional framework. In contrast, where institutions are more differentiated and their interdependence weaker, business system characteristics and particular institutions may undergo change without leading to a radical departure from established patterns.

COMPARISON OF THE INSTITUTIONALISMS

The preceding section has shown that new institutionalists emphasize the global diffusion of practices whilst the business systems approach highlights how business continues to be influenced by the national institutional frameworks in which it is embedded. In this section we compare the two institutionalist traditions. We do not aim to compare them in their entirety but to undertake a systematic comparison of their arguments along four dimensions — mechanisms of adaptation, unit of analysis, definition of institutions and their portrayal of organizations. These dimensions have been chosen because of their centrality to the argumentation of the two traditions and because of their effectiveness in highlighting why proponents of the two traditions have come to such different conclusions with respect to the global standardization of organizational forms and management practices. (For a summary of our comparison, see Table I.)

Mechanisms of Adaptation

A key difference between the two institutionalist traditions which lead them to such different conclusions concerns the mechanisms they identify as promoting the adaptation of organizations to institutional environments. New institutionalists argue that the mechanisms of coercion, imitation and normative pressure lead to the assimilation of organizations, which experience an increase in legitimacy, but not necessarily efficiency, by adopting institutionalized structures and practices. In contrast, the business-systems approach emphasizes that different patterns of economic coordination develop and are continually reproduced because of the tight links between business systems and institutional arrangements and that adaptation to the characteristics of the institutional environment in a business system is efficient within the borders of that business system.

New institutionalists therefore emphasize the global diffusion of practices, structures and institutions and the adoption of these by organizations. However, they stress the abstract and general nature of diffused concepts and argue that the generality and abstraction of such concepts increases the likelihood of their diffusion (Strang and Meyer, 1993). Very general models facilitate communication between actors, for example between organizations which have only very limited relationships, as well as between those propagating the concepts and those adopting them. Abstraction and the associated ambiguity are essential in imitation processes. Imitation requires that early and late adopters regard each other as alike or at least essentially similar (Meyer, 2000). The core of many organizational and management concepts which are propagated by globally operating consulting firms, academics and other professionals form claims about the ways in which similar organizations react to similar situations in

Table I. Comparison of the key dimensions and limitations of new institutionalism and the business systems approach

		<i>Business-systems approach</i>
Mechanisms of adaptation	<i>Global diffusion of concepts through isomorphism</i> Limitations — unclear whether there is diffusion of a common global language, leaving leeway for local interpretation, or whether concepts themselves become more alike globally	<i>Reproduction of tightly linked institutions and business systems</i> limitations — precludes possibility of firms adopting deviant practices and provides no clear mechanism for recognizing impact of transnational developments
Unit of analysis	<i>Organizational field - borders are drawn at national borders because empirical studies focus on North America</i> Limitations— cross-national dimensions of organizational fields are neglected	<i>Business system — borders are equated with national borders because of key influence of state actions</i> Limitations - effects of international activity on business systems are played down
Institutions	<i>Normative and cognitive institutions: patterns of thought and taken for granted assumptions concerning organizational forms and management practices</i> Limitations - do not contain any clear prescriptions for behaviour and are thus open to local interpretation	<i>Structural-regulative institutions: the state, financial system, skill development and control system, trust and authority relations</i> Limitations - plays down influence of supranational institutions and diffusion of normative and cognitive concepts by global actors
Portrayal of organizations	<i>Passive: emphasis on factors which make actors unlikely to recognize or act on their interests</i> Limitations - over-socialized portrayal of actors, leaves little leeway for recognizing important role which actors play in the local interpretation and implementation of globally diffused practices	<i>Passive: tight feedback loop between business systems and institutions</i> Limitations — precludes possibility for recognizing how actors can adopt deviant organizational structures and management practices

similar ways. Such concepts are often supported by the assumption that certain practices are or can be adopted by all members of a defined group of organizations and with similar results.

This emphasis on the generality and abstraction of diffused concepts means that it remains unanswered by new institutionalism as to whether there is diffusion of a common global language which leaves leeway for different national interpretations, or whether management practices and organizational structures themselves become more alike on a global scale. But a key question with reference to the global standardization debate concerns whether such normative organizational and management concepts are interpreted and utilized differently against the background of nationally distinct forms of business systems. A further question is whether and to what extent institutional structures

in national organizational fields change through the development and diffusion of new organizational and management concepts and which factors shape the likelihood of a global convergence of organizations.

In contrast, the emphasis on the links between business systems and institutions leads business systems proponents to argue that business continues to be influenced by national institutional frameworks and to express doubts as to whether globalization really does lead to the convergence and standardization of practices. However, this emphasis on the 'homeostatic feedback loops' (Whittington and Mayer, 2000, p. 36) between business systems and institutions precludes the possibility of considering the extent to which actors can adopt deviant practices and strategies. It also prevents taking into account variations in the extent to which different business system characteristics may be interdependent with institutions within a national business system, thus neglecting that actors may have more autonomy in shaping some practices and structures than others. The feedback loop also means that the emphasis is placed on business system stability rather than change. This accords national business systems with a timelessness and provides no clear theoretical mechanisms to recognize how wider transnational developments and actors within business systems can bring about change (cf. Morgan, 2005).

Unit of Analysis

The two institutionalist traditions also differ considerably in terms of units of analysis. The business-systems approach is oriented from the outset towards a comparison between *business systems*. New institutionalism is concerned with adaptation and assimilation processes of organizational units within an *organizational field*.

Organizational fields and business systems have in common that their limits are national borders, but for different reasons. According to Scott (1994, p. 206), the concept of the organizational field 'emphasizes the possible importance of distant, non-local connections among organizations'. Therefore, organizations in the same organizational field can theoretically be located in different nations. However, the limits of the organizational field are implicitly drawn at national borders because empirical studies by new institutionalists are primarily conducted in North America or a federal state of the USA and the possibility of studying organizations belonging to an organizational field outside of North America has rarely been considered. No wonder, then, that new institutionalists have been criticized for neglecting to apply their arguments to the comparative study of institutions and organizations in different national contexts and to the study of multinational companies (Gooderham et al., 1999; Orru et al., 1991; Rosenzweig and Singh, 1991; Westney, 1993).

In the few studies in the tradition of new institutionalism which are comparative, or do study multinational companies, the effects of different national institutional environments on organizational forms and management practices do become discernible (see, e.g. Dobbin, 1994, 1995; Dobbin and Boychuk, 1999; Gooderham et al., 1999; Guler et al., 2002; Kostova and Roth, 2002). For example, Dobbin (1994, 1995) points to national politics as intensifying differences as they confront the common problem of building railroads.

In the business-systems approach, the borders of a business system are more explicitly equated with national borders. There is no a priori assumption in the business systems approach that all nation states have distinctive and homogenous business systems. However, the main emphasis is placed on national business systems because state actions are argued to have a key influence on the institutional arenas which shape business system characteristics and because national business systems are a primary focus of empirical studies.

In contrast to new institutionalism, a number of empirical studies in recent years drawing on the business systems approach have focused on multinational companies (see, e.g. Almond and Ferner, 2006; Morgan et al., 2001). However, conceptually, the implications of multinational companies for national business systems have tended to be played down (cf. Morgan, 2001a). Whidey (1994) does recognize that the growth of international firms has modified the significance of national business systems, rendering them more interdependent and less sharply distinct but argues that only under certain circumstances will multinational companies have significant effects on the national business systems in which they originate and operate (Whidey, 1998, 2001).

Institutions

A further key difference between the two institutionalisms is in terms of their approach to institutions and concerns the nature of the institutions upon which they focus. This can be seen by mapping their respective approaches onto Scott's (2001) typology of institutions (Djelic and Quack, 2003c). New institutionalists focus in particular on what Scott (2001) calls normative and cognitive institutions: patterns of thought, norms and taken-for-granted assumptions as to how firms should be organized and what firms should do. In contrast, the business-systems approach focuses on structural-regulative institutions, such as financial and training systems, which are often underpinned by coercive mechanisms (Djelic and Quack, 2003c) and, which it argues are most prevalent in shaping economic activity.

New institutionalists tend to imply in their empirical work that the institutions they focus on can be interpreted unambiguously and consistently. However, organization and management concepts such as the M-form, business process reengineering, ISO 9000 or the shareholder value philosophy, which have become increasingly globally diffused, do not contain any clear prescriptions for behaviour and are thus open to interpretation (Meyer, 2000). A key question which remains unanswered by them concerns how such institutions are interpreted when they meet different frameworks of structural-regulative institutions such as those identified by the business systems approach.

In contrast, with the emphasis in the business systems approach being placed firmly on structural-regulative institutions operating at national level, there has been a tendency to play down the significance of supranational institutions and their influence on economic behaviour, the argument being that it is only where supranational political, financial and labour institutions become established, that a supranational model of markets would develop (Whidey, 1994, 1999). This, argues Whitley (2001), is yet to happen and he claims that the international business environment remains less organized and less predictable than national business environments (Whitley, 2003).

This emphasis on national frameworks of structural-regulative institutions also means that in the conceptual work of business systems proponents, there has been a tendency to neglect the diffusion of normative and cognitive organizational forms and management practices between national business systems by actors such as globally operating consulting firms, academics and other professionals, which are central to the arguments of new institutionalism.

Portrayal of Organizations

Whilst there are key differences between the two institutionalist traditions in the preceding three dimensions, new institutionalists and business systems proponents share in common that they portray organizations as passive pawns, adapting willingly to institutionalized expectations in organizational fields or to dominant business systems characteristics. Both have thus tended to neglect agency (cf. DiMaggio, 1988; Hirsch and Lounsbury, 1997; Mayer and Whittington, 1999; Oliver, 1991; Smith and Meiksins, 1995).

In new institutionalism, this neglect can be attributed in particular to the emphasis placed on those 'factors which make actors unlikely to recognize or act on their interests' and on circumstances which cause actors, who do recognize and try to act on their interests, to be unable to do so effectively (DiMaggio, 1988, p. 4). This seems problematic because a key question with regard to the interpretation and implementation of globally diffused practices and structures in different institutional environments concerns the active reinterpretation of such practices on the part of actors.

Agency is integrated into the business-systems approach up to a point. Groupings of social actors are argued to have a strong influence on the type of business system which is generated and reproduced in an institutional environment. However, the key focus of the business-systems approach is on the development and continual reproduction of varied systems of economic organization because of the interdependencies between business systems characteristics and national institutional frameworks, rather than on agency (Morgan, 2005; but see the work begun in Morgan et al., 2005). This focus leads business systems proponents to play down the possibility that 'every national business system . . . contains some degree of malleability and openness which may be exploited' by actors (Quintanilla and Ferner, 2003, p. 364). It thus makes it more difficult for them to consider the extent to which actors, such as multinational companies, are able to promote the standardization of management practices by seeking to transfer practices to their international operations, regardless of whether they go against local business system characteristics.

CROSS-FERTILIZING THE INSTITUTIONALISMS - POSSIBILITIES AND LIMITATIONS

Our comparison of the two institutionalist traditions has shown that they differ fundamentally in terms of mechanisms of adaptation, unit of analysis and institutions. It has also highlighted why their respective arguments along these three dimensions lead them to a one-sided view of the global standardization of organizational forms and manage-

ment practices. We argue that these differences do not permit the verdict that one of the theories is superior and that the other should thus be rejected. Rather, we propose that new institutionalism and the business systems approach can learn from each other.

In this section, we suggest how the two institutionalist traditions can be cross-fertilized so that they can better account for signs of both the global standardization and national diversity of organizational forms and management practices. Moreover, we develop an agenda for future empirical research for the two institutionalist traditions in the context of the global standardization debate.

In identifying areas for cross-fertilization, we do not seek to fully integrate new institutionalism into the business systems approach or vice versa, but to integrate specific concepts and arguments. Thus, we identify how new institutionalism can learn from the business systems approach in order to integrate national and local contexts into their portrayal and investigation of the global diffusion of practices. Similarly, we identify how the business systems approach can learn from new institutionalism by paying more attention to international and global institutions in their accounts of how practices are shaped by national business systems. There are pragmatic reasons for limiting our approach to partial rather than full integration. We aim to provide a basis for future empirical research on the standardization of organizational forms and management practices which is limited enough in complexity to enable its operationalization. We thus suggest how future research in the two traditions can build on established concepts while adding a limited number of new concepts.

At the same time, our comparison has shown that the two institutionalisms share similarities in respect of their portrayal of organizations and that both neglect agency. We argue that this is an area in which there are limits to the extent to which they can learn from each other. We thus reflect on how they can move forward to overcome this problem. We show how both institutionalist traditions can benefit from the insights of structuration theory (Giddens, 1984) to investigate how actors deal with inconsistent demands from institutions operating at national and supranational levels (for a summary of our arguments, see Table II).

What New Institutionalism Can Learn from the Business-Systems Approach

Extending the borders of organizational fields through engagement in cross-national research. As highlighted in the preceding section, new institutionalists have tended to equate the borders of organizational fields with national borders as their empirical research is limited primarily to North America and cross-national research is rare. The need to regard organizational fields both conceptually and empirically as extending beyond the borders of national business systems is however clear in the light of the global activities of 'institutional entrepreneurs' such as multinational companies, consulting firms, professional associations and academics, who legitimize organizational forms and management practices and thus contribute to their diffusion (Sahlin-Andersson and Engwall, 2002).

Investigation of the institutional context in which new institutionalized organizational forms and management practices diffuse. Our comparison of the two institutionalisms has shown that new institutionalism has focused on the diffusion of global concepts of organization and

Table II. What the two institutionalist traditions can and cannot learn from each other: a research agenda

What new institutionalism can learn from the business systems approach - incorporating the national/local into the global/international

- ' Extension of organizational fields beyond boundaries of national business systems through engagement in cross-national research
- Investigation of the business systems into which practices diffuse by focusing on speed of diffusion and local implementation of practices in order to establish whether there is:
 - variety in speed of diffusion
 - standardization in language and/or actual behaviour

What the business systems approach can learn from new institutionalism — incorporating the global/international into the national/local

- ' Looking beyond national borders to consider global actors and the mechanisms they use to diffuse practices
- Loosening the feedback loop between business systems and national institutional frameworks by considering the extent to which firms are subject to multiple belief systems
- Treating embeddedness of different business systems characteristics as a variable to account for convergence in some activities and continued diversity in others

What they cannot learn from each other - incorporating agency into institutional analysis by drawing on structuration theory

- Incorporating agency into new institutionalism - portraying actors as 'interpreters' between diffused practices and local institutions
- Incorporating agency into the business systems approach — portraying firms as 'synthesizers' of domestic and international belief systems

management but has as yet paid little attention to their local interpretation and implementation. Linked, therefore, to the need for more cross-national organizational research is the call for investigation, not only of the diffusion of a new organizational form or management practice, but also for attention to be paid to the institutional context, in other words, the respective business system, in which the new structural elements become diffused. This requires a conceptual framework, i.e. a construction of categories, which facilitates the comprehension of different institutional environments or business systems. Starting points for such a framework can be found in new institutionalism, for example in the work of Scott (1994). A more extensive framework is offered by the business-systems approach. However, as it is primarily based on individual comparisons between business systems, it does not appear to be sufficiently operationalized for quantitative empirical research as primarily conducted by new institutionalists. Yet, if it is the case that business systems are idiosyncratic and resistant to change, as proponents of the business-systems approach argue, then these characteristics should influence the speed with which new organizational forms and management practices diffuse, as well as their implementation. This brings us to two further research areas, in which new institutionalists could enrich their arguments by learning from the business systems approach.

Research of the speed of diffusion of new organization and management concepts cross-nationally. If the institutional structures of national business systems are different, this ought to influence the extent to which institutional structures are infused with new structural elements and

management practices. The likelihood of adoption of certain structural elements and practices should be greater in some business systems than others (see, for a similar argument, Kogut, 1991).

For example, empirical studies have shown that the divisionalized company has not only diffused in the USA (Fligstein, 1985), but has also been adopted by some of the largest companies in Europe (Dyas and Thanheiser, 1976). At the beginning of the 1990s, it was the most common structure amongst large industrial companies in the USA, Germany, France and the UK. However, there is evidence that the divisionalized structure was adopted by companies in the UK considerably earlier than by their counterparts in Germany and France and spread to a greater extent in the UK than in France and Germany (Mayer and Whittington, 1999; Whittington and Mayer, 2000). One explanation for the lower extent of divisionalization in Germany may be the influence of banks as major shareholders over the diversification strategies of firms (see Cable and Dirrheimer, 1983).

Research of the implementation of new organizational and management concepts cross-nationally. As we have shown, the concrete implementation of a new management concept or a new organizational form has, as yet, not been widely researched in new institutionalism. This is however particularly problematic as a central argument of new institutionalists is that new organizational forms or management practices can come into conflict with the technical demands of production or exchange or can even contain contradictory demands, for example in the case of ISO 9000 and lean management (Walgenbach, 2000). According to Meyer and Rowan (1977), organizations solve these problems through the decoupling of institutional elements and the technical activities of the organizations. However, there are as yet few empirical studies which investigate whether and to what extent organizations decouple their formal structures from their activities (for exceptions, see Boiral, 2003; Fiss and Zajac, 2004; Walgenbach, 2001; Westphal and Zajac, 1998, 2001). The increasing structural sameness which is claimed by new institutionalists in their empirical studies is thus possibly only on the surface because there is no detailed investigation of the actual use or non-usage of a structural element or management practice (Meyer, 1999).

Moreover, as empirical studies into structural sameness have focused almost exclusively on one national context (the USA), generalizable statements as to whether and how new institutionalized structural elements and management practices are used in other national contexts are not possible. Against the background of the business-systems approach, it can be assumed that such elements and practices, if they are adopted, are used or interpreted in different ways in different societal contexts and are decoupled to different extents from the activities of organizations because institutions limit and direct the development of organizational forms and practices.

For example, Hancke and Casper's (1999) and Woywode's (2002) comparisons of the implementation of ISO 9000 standards and teamwork in the French and German car industries have shown that they were strongly mediated by firm-supplier relationships, training systems and industrial relations institutions. Moreover, Boyer et al. (1998) have highlighted the hybridization processes which take place when productive models are transferred between business systems. Thus, while on the surface there are indications of

a standardization of organizational forms and practices across different business systems, such standardization may be limited to language. But even if diffused practices carry the same denomination in different countries, they are not necessarily the same, but may have taken on a different meaning through 'translation' and implementation into local institutional contexts (Czarniawska and Joerges, 1996; Sahlin-Andersson and Engwall, 2002). Such translation and implementation may lead to a deepening of existing diversity between firms in different institutional contexts, rather than to convergence. By investigating not only the diffusion, but also the local implementation of practices such as ISO 9000 and teamwork and organizational forms such as productive models, new institutionalists could establish what exactly is being standardized, language or actual behaviour. In this way, they would be better positioned to provide a more nuanced account of standardization, differentiating between the formal and factual standardization of organizational forms and management practices.

The study of the concrete implementation of globally diffusing structural elements and management practices does however require the use of more qualitative research methods — methods which as yet do not play a significant role in new institutionalism. However, such methods are more effective in investigating whether things which carry the same name are indeed the same.

What the Business-Systems Approach Can Learn from New Institutionalism

Looking beyond national borders. While the business-systems approach does consider the internationalization of firms and markets (Whitley, 1994, 1998, 1999, 2001, 2003), this issue tends to be played down as the focus remains on the nation state as the primary level at which economic organization is shaped. We suggest that the business-systems approach needs to look more intensively beyond national borders in order to integrate the international business environment and global actors into its arguments and to consider their implications for national business systems (as has begun in Whitley, 2003).

This involves, firstly, taking more into account global and supra-national (e.g. European) business regulation (Braithwaite and Drahos, 2000; Djelic and Bensedrine, 2001; Morgan, 2001b) and its implications for organizational forms and management practices in different countries. It secondly concerns paying more attention to the actions of global actors such as multinational companies, international investors, professions, consulting firms, and business schools and building on empirical work that has already been undertaken (see particularly Djelic and Quack, 2003b; Morgan et al., 2001). The arguments of new institutionalism can aid business-systems proponents in understanding the mechanisms supporting the diffusion and enforcement of practices through such actors. For example, multinational companies can exert strong coercive pressures on local subsidiary management and employee representatives to introduce standardized human resource management and work organization policies despite national institutional differences (Coller, 1996; Ferner et al., 2001; Mueller and Purcell, 1992). Moreover, 'epistemic communities' such as professions, consulting firms and business schools are important actors in promoting the world-wide diffusion of practices and structural elements (Guler et al., 2002; Kipping and Engwall, 2002; McKenna et al., 2003;

Sahlin-Andersson and Engwall, 2002) by diffusing normative patterns of thought and taken-for-granted assumptions between different business systems.

Loosening the feedback loop between business systems and institutions. In our comparison of the two institutionalist traditions, we argued that the tight feedback loop between business system characteristics and national institutional frameworks leaves business-systems proponents with no clear mechanism for recognizing how actors may adopt deviant practices and strategies. We propose that Scott's (1994) work on the exclusiveness of belief systems can provide the business-systems approach with such a mechanism. Scott (1994) characterizes belief systems in terms of their exclusiveness and argues that these factors are important in shaping the degree of institutionalization in organizational fields. He proposes that exclusiveness can range from a single, exclusive system dominating an organizational field, through more generic institutional patterns providing meaning and order but allowing for contextual variation, to the presence of two or more, strong, competing belief systems. Scott's (1994) work on the exclusiveness of belief systems can aid in conceptualizing the extent to which social actors are subject to an unambiguous institutional imperative and taken-for-granted assumptions or to multiple institutional environments.

By treating the extent to which actors are subject to multiple institutional environments as a variable, the tight feedback loop could be loosened to put business-systems proponents in a better position to account for the apparent convergence in the behaviour of firms across business systems despite distinctive institutional backgrounds. For example, studies have shown that international institutional investors exert strong pressures on firms from different national business systems such as Finland, Germany and Japan to introduce management and corporate governance practices, such as international accounting standards, stock-options or investor relations departments, which differ from local belief systems (see, e.g. Hopner, 2001; Kleiner, 2003; Tainio et al., 1999, 2003; Yoshikawa and Linton, 2000).

Such research has been dominated by single-country studies. By comparing the actual implementation of such 'deviant' strategies and practices in different countries, business-systems proponents would be better positioned to emphasize how and in what ways national institutions do still matter. Comparative studies could highlight whether standardization does occur, whether conformity to other belief systems is ritual, with local decoupling (Djelic and Bensedrine, 2001; Meyer, 2000) or whether differences between imported practices and local belief systems recombine to deepen existing national differences in patterns of firm behaviour.

Whilst arguing that the feedback loop needs to be loosened, we are not suggesting that company-level strategies and practices become completely decoupled from national institutional frameworks and that the adoption of 'deviant' strategies and practices by companies does not lead to institutional and business system change. Rather, where conformity amongst firms in a business system to an external belief system becomes structured (Scott, 2001) to a degree that it creates tension between domestic and external organizational forms and management practices, there may be 'trickle-up' change in business system characteristics (Djelic and Quack, 2003d). For example, there is evidence that reforms in national systems of corporate governance were preceded by

changes in the practices of leading firms, these reforms thus ratifying and generalizing what was already occurring at company level (see, e.g. Kleiner, 2003; Streeck, 2001; Tainio et al, 2003).

Treating embeddedness of different business system characteristics as a variable. We also suggest that the feedback loop may be looser for some business systems characteristics than others and propose that it is necessary to consider the extent to which actors are subject to an unambiguous institutional imperative across different business system characteristics. Clemens and Cook (1999, p. 448) distinguish between different kinds of rules and argue that in contrast to 'must' and 'must not' rules, 'may' rules neither require nor forbid a particular behaviour and promote heterogeneity of action. They depict actors as relating to such rules as 'a repertoire or tool kit' which they can choose from or combine. We propose that Clemens and Cook's (1999) work can aid in distinguishing between the extent to which actors are likely to be able to choose from a repertoire of domestic and international practices in some activities but may be subject to greater pressure to conform to domestic institutions in others. For example, while Whittington and Mayer's (2000) study shows the convergence of strategy and structure among large firms in European countries, Gooderham et al. (1999) highlight that national institutions pose barriers to the implementation of the Anglo-Saxon HRM model in Europe (see also Ferner and Quintanilla, 1998; Goyer, 2002). More systematic and wider-ranging research on the different degrees of embeddedness of business system characteristics would enable business-system proponents to account for observed convergence in some activities of firms and continued diversity in others and thus the different reinterpretation of international patterns of behaviour in various national business systems. It would also help to explain why change can be observed in some business system characteristics, whilst there is inertia in others, as seen for example in Germany, where an increasing shareholder value-orientation adopted by leading firms had led to greater changes in corporate governance patterns than in employee representation structures (Deeg, 2005; Streeck and Hopner, 2003; but see also Lane, 2005).

What New Institutionalism and the Business Systems Approach Cannot Learn from Each Other

With both institutional strands portraying organizations as passively adapting to institutions and thus neglecting agency, the scope for learning from each other on this issue is limited. We therefore argue that both new institutionalists and business systems proponents need to look to other theoretical frameworks in order to pay more attention to actors. This would arguably be worth a paper in its own right. We will therefore confine our discussion to proposing Giddens' (1984) structuration theory as one possible theoretical framework which can help proponents of the two institutionalist traditions to include agency in their arguments. (See also the work of a number of scholars who have sought to link structuration theory with the two institutionalist traditions, e.g. Beckert, 1999; Mayer and Whittington, 1999; Whittington, 1992.)

The key aim of Giddens' (1984) structuration theory is to overcome the dualism of structure and agency (for a criticism of structuration theory, see, for example, Archer,

1982; Gallinicos, 1985; Thompson, 1989). Giddens does so by introducing the idea of the duality of structure, by which he means that structure is 'both the medium and the outcome of the practices which constitute social systems' (Giddens, 1981, p. 27). Thus his key argument is that social actors reproduce the conditions (structure) that enable their action and that structure is both product and platform of social action. In this view, 'agency and structure, far from being opposed, in fact presuppose each other' (Sewell, 1992, p. 4).

Through the notion of the duality of structure, the central domain of study of the social sciences according to structuration theory 'is neither the experience of the individual actor nor the existence of any form of societal totality, but social practices ordered across space and time' (Giddens, 1984, p. 2). Structure, defined by Giddens as rules, which guide action and resources, which empower action, is the reason why social practices are reproduced over different levels of time and space and take on systemic forms. Social systems refer to continuously reproduced interactions between social actors, which can operate at different levels, from the local to the global (Giddens, 1990).

By focusing on social practices, the actor is decentred in structuration theory. It thus shares a conceptual closeness with the two institutionalist traditions. At the same time, it portrays actors as knowledgeable and reflexive, creating and following rules and using resources as they continually produce and reproduce social structure. Structure does not operate behind the backs of actors independently of their intentions, nor does it have a deterministic influence on their actions. Giddens (1979) argues that rules need to be interpreted, opening up the possibility for different behaviours, and that resources can be used in different ways. In this way, structuration theory seems to be a fruitful theoretical framework which the two institutionalist traditions can look to in order to integrate agency into their arguments at the same time as being able to retain their valuable insights on how organizational forms and management practices are shaped by institutional environments.

In order to link structuration theory to new institutionalism and the business systems approach and their portrayal of the global standardization debate, we will focus on Giddens' concern for the intersections, tensions and contradictions between social practices ordered across time and space in different social systems and the capacity for agency which stems from them. Considering this capacity for agency, Whittington (1992, p. 704) argues that where 'systems cross-cut. . . actors need only draw selectively on rules and resources, instantiating some, leaving others in reserve . . . selective engagement of structural properties provides the critical distance for strategic manipulation'.

We have argued that new institutionalists need to pay more attention to how organizational forms and management practices diffused by actors such as consulting firms, academics and multinational companies are interpreted locally in different national business systems. However, the business systems approach offers little insight into how such interpretation takes place. By drawing on structuration theory, new institutionalists could portray the diffusion of practices into different national business systems as the intersecting of different social systems, i.e. internationally diffused practices reproduced across time and space intersecting with national and local social systems. This would enable them to consider how actors in different business systems engage with these different social systems by acting as 'interpreters' of them, drawing selectively on the rules

and resources structured at supranational and local levels, defying some and incorporating others. In this way, they could shed more light on the process of interpretation of diffused practices into different business systems. They could, for example, show how actors such as managers, different types of owners and employee representatives draw on supranational and local rules and resources to shape the diffusion and implementation of shareholder value concepts and practices in different institutional frameworks (Fiss and Zajac, 2004; Meyer, 2004).

When proposing how business systems proponents can learn from new institutionalism, we have focused in particular on how to loosen the tight feedback loop between business systems characteristics and national institutional frameworks to recognize that firms may be subject to multiple institutional environments. However, new institutionalist arguments are less useful in showing how firms engage with such multiplicity. With the insights of structuration theory, business systems proponents could consider how firms act as 'synthesizers' (Mayer and Whittington, 1999) of domestic and international social systems. By considering how firms draw selectively on rules and resources from these different systems, business systems proponents could shed more light on the processes through which new patterns of behaviour are adopted and imported practices recombine with local social systems. For example, they would be able to investigate the process through which multinational companies originating in non Anglo-Saxon countries adopt Anglo-Saxon HRM practices selectively and adapt them to fit with local labour laws and HRM practices (e.g. Arduini and Delmestri, 2005; Edwards et al., 2005; Ferner and Quintanilla, 1998; Tempel, 2001).

CONCLUSIONS AND IMPLICATIONS

This paper has compared two institutionalist traditions which both emphasize the adaptation of organizations to their institutional environments but come to very different conclusions as to the standardization of organizational forms and management practices. Rather than rejecting one institutionalist tradition in favour of the other, we have suggested how they can learn from each other. We emphasize the importance for new institutionalists of engaging in more cross-national comparative research and of regarding organizational fields as extending across national borders in the light of the global activities of institutional entrepreneurs. We also recommend that not only the study of the diffusion of practices, but also of the institutional environments in which they diffuse would enrich their arguments. Particularly fruitful would be the study of the speed with which practices diffuse, and their concrete implementation in different business systems. For example, new institutionalists could test how the speed of diffusion of new organizational forms and management practices such as investor relations departments and shareholder value concepts into different countries is shaped by key business system characteristics such as ownership structures. Through such investigations, they would be better positioned to show that there are signs of the standardization of organizational forms and management practices, but that it can occur at different speeds and that standardization at one level, for example, the level of language, does not rule out the persistence of differences in firm behaviour when similar practices are implemented in different national business systems. They could also demonstrate how the institutional

inertia of different business systems affects the extent and speed of convergence of organizational structures and practices. Linked to this, they could show how the institutional context in different countries shapes the competitiveness of individual companies and whole nation states at a particular time (see also Kogut, 1991). Moreover, it would be possible to demonstrate, whether and to what extent national patterns of translation and decoupling can be observed when global organizational forms and management practices are adopted (Giroux, 2006; Czarniawska and Joerges, 1996).

We suggest that the business-systems approach needs to look more intensively beyond national borders, and in particular to pay more attention to the actions of global actors such as multinational companies, international investors, professions, consulting firms, and business schools in diffusing practices (Clark, 2004; Sahlin-Andersson and Engwall, 2002). Moreover, we argue that the feedback loop between business systems and institutions in the business-systems approach needs to be loosened. By considering the extent to which firms are subject to more than one belief system, and may thus be encouraged or pressured to introduce deviant practices, business-systems proponents would be able to explain the apparent convergence in practices across countries despite continuing national institutional diversity and also to highlight how such convergence can lead to business system change. By comparing the implementation of 'deviant' practices such as Anglo-Saxon HRM practices in business systems with differing patterns of work organization and employment relations, researchers would be able to test the extent to which actual standardization of practices is occurring, whether rhetoric is decoupled from practices and the extent to which such deviant practices recombine with local HRM practices to contribute to the persistence of diversity. We also suggest that the feedback loop may need to be loosened to a greater extent for some business systems characteristics than for others. By considering that firms may be subject to an unambiguous belief system in some of their activities, and to more ambiguous or multiple belief systems in others, the business systems approach would be better positioned to account for observed convergence in some activities of firms and continued diversity in others and thus change in some business system characteristics while others remain intact.

We have also argued that the two institutionalist traditions need to look to other theoretical frameworks in order to integrate agency into their arguments and have pinpointed structuration theory as a fruitful possibility to do so. By drawing on structuration theory (Giddens, 1984), new institutionalists would be better able to investigate the processes through which actors interpret diffused practices into different business systems, while business systems proponents could shed more light on how actors synthesize local and international belief systems.

We are aware that the empirical research agenda which we propose is demanding, particularly in terms of financial resources, manpower and research methods. It requires both the comparative quantitative and qualitative analysis of national institutional frameworks and the actual behaviour of organizations and organizational actors in different countries. However, we feel that such research will be worth the effort as it will put researchers in a position to observe and account for signs both of the global standardization of organizational forms and management practices *and* the continued persistence of national differences and thus enable them to move beyond seeing convergence and divergence as *either/or* scenarios.

NOTES

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[1] This paper focuses on the business systems approach rather than on 'comparative institutionalist' approaches as a whole and aims to compare it with new institutionalism and to highlight how these two institutionalist strands in organization theory can learn from each other. We recognize that there are strong generic similarities between the business systems approach and other comparative institutionalist approaches, such as those proposed by Amable (2003), Aoki (2001), Boyer and Drache (1996), Hall and Soskice (2001), Hollingsworth and Boyer (1997) and Maurice and Sorge (2000). However, a comparison of new institutionalism and comparative institutionalism as a whole would detract attention from the primary purpose of the paper by becoming caught up in the variety in respective focus, concepts and language of the different comparative institutionalist approaches. We have chosen to compare new institutionalism and the business systems approach and to propose how they can learn from each other in relation to the debate on the standardization of organizational forms and management practices because of their importance in organization theory.

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