

# In and Between Societies

## Reconnecting Comparative Institutionalism and Organization Theory

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# In and Between Societies: Reconnecting Comparative Institutionalism and Organization Theory

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## **In and Between Societies: Reconnecting Comparative Institutionalism and Organization Theory**

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### **Abstract**

Recently, the state and future of organization theory have been widely debated. In this *Perspectives* issue, we aim to contribute to these debates by suggesting that organizational scholarship may benefit from greater understanding and consideration of societal institutions and their effects on the collective organizing of work. We also illustrate that the literature on comparative institutionalism, a strand of institutional thought with a rich tradition within *Organization Studies*, provides useful insights into these relations. We highlight several of these insights and briefly introduce the articles collected in the associated Perspectives issue of *Organization Studies* on comparative institutionalism. We end with a call for greater cross-fertilization between comparative institutionalism and organization theory at large.

### **Keywords**

comparative institutionalism, organization theory, organization studies

**Associated with a Perspectives Issue of *Organization Studies***

**[http://oss.sagepub.com/cgi/collection/comparative\\_institutionalism](http://oss.sagepub.com/cgi/collection/comparative_institutionalism)**

‘*Organization Studies*: An international multidisciplinary journal devoted to the study of organizations, organizing, and the organized in and between societies’

– The dedication of *Organization Studies*

If both research output and critical reflection are necessary requirements for a vibrant academic community, then the field of organization theory is in very good shape. The numbers of papers submitted to our journals and conferences continue to rise every year, and discussions in a variety of outlets illustrate that the organization theory community is also willing and able to engage in self-critical discussions about the state and future directions of organization research. This is reflected in a series of exchanges on issues ranging from the primacy of theory (Davis, 2015; Lounsbury and Beckman, 2015) and the value of critical perspectives (Munir, 2015; Suddaby, 2015), to vigorous discussions about what should (and should not) be the focus of our inquiries (e.g., Greenwood et al., 2014; Meyer and Höllerer, 2014). Uniting these discussions is the perceived need for greater contextualization of our understanding of organizations and modes of organizing; both in order to better appreciate how organizing is interrelated with societal institutions, such as how institutions can be a source of both homo- and heterogeneity (Greenwood et al., 2014; Meyer and Höllerer, 2014), and as a means to generate research with more immediate relevance to the organizations and individuals that we study.

With this *Perspectives* issue, we aim to contribute to these discussions by illustrating that the literature on comparative institutionalism, a strand of institutional theory with a rich tradition within *Organization Studies*, contains insights that can enrich our understanding of organizing in context. Comparative institutionalism draws on several related perspectives in organization studies, sociology and political economy. These perspectives, such as the varieties of capitalism approach (Hall and Soskice, 2001) and the business systems approach (Whitley, 1999), are unified by a shared concern with how the forms, outcomes, and dynamics of economic organization are influenced and shaped by societal institutions and with what consequences (Morgan et al., 2010). The value of comparative institutionalism derives both from the long-standing efforts by comparative institutionalists to describe and understand the interrelationships between societal institutions and collective organizing

and its outcomes, and from the theoretical focus on societal institutions that transcend the level of the organizational field. In recent years, however, applications of comparative insights in organization research have been on the retreat, and the literatures on comparative institutionalism and organization theory have become increasingly disconnected. We believe there is value in restoring some of the original affinity between these literatures, and that greater cross-fertilization can provide additional depth to our understanding of organizations, organizing and the organized, both *within* and *between* societies.

The remainder of this essay proceeds as follows. We first provide a brief introduction to the origins and ideas of comparative institutionalism. This is followed by a discussion of selected contributions published in *Organization Studies* that illustrate the development of comparative institutionalism within organization research over the past decades, and that highlight the critical role of *Organization Studies* in this development. These articles are collected online in the associated *Perspectives* issue on comparative institutionalism. We then discuss several insights from comparative institutionalism that can be of value to current discussions within the organization theory community. We end with suggestions for how comparative institutionalism and organization theory can be reconnected.

## **Comparative Institutionalism**

Comparative institutionalism encompasses several related approaches in organization studies, sociology and political economy that are concerned with the causes and consequences of differences in the organization of capitalist market economies. Prominent examples are the varieties of capitalism approach (Hall and Soskice, 2001), the business systems approach (Whitley, 1999) and the societal effect approach (Maurice and Sorge, 2000), as well as several related contributions (e.g., Boyer, 2005; Crouch and Streeck, 1997; Kristensen and Lilja, 2011; Lane, 1995; Morgan and Quack, 2005; Streeck and Thelen, 2005). While comparative institutional approaches tend to differ in focus and emphasis (Jackson and Deeg, 2008), these approaches all share an interest in the societal embeddedness of economic activity and in the implications of different forms of capitalism for firm behaviour. They

also share a reliance on systematic comparison to explore the variety, change, and consequences of alternative modes of economic organization and supportive institutions.

Three features characterize comparative institutionalism as an institutional perspective. The first is that comparative institutionalism pays explicit attention to institutional arrangements at the societal level, including the political, financial and education systems, whose impact transcends the level of the organizational field. For example, comparative institutionalism highlights that different types of states not only promote different welfare systems but also different types of firms and inter-organizational relations (Schmidt, 2002; Whitley, 1999). Similarly, comparative institutionalism recognizes that contemporary education systems differ not only in terms of average student performance, but also in terms of their effects on social stratification and equitability and their emphasis on vocational training. As a result, education systems affect the skill sets, professional identities and professional demarcations across a broad range of sectors, including healthcare (Gospel, 2015), law (Morgan and Quack, 2005), consulting (Boussebaa, Morgan and Sturdy, 2012) and manufacturing (Hotho et al., 2014).

A second feature of comparative institutionalism is that it emphasizes the interdependence between societal institutions. Rather than analyzing societal institutions in isolation, comparative institutionalists typically conceptualize institutions as part of distinct societal institutional configurations. This configurational perspective is useful because it highlights the possible *complementarities* between societal institutions, or the idea that sets of societal institutions may support and reinforce each other or compensate for deficiencies (Crouch, 2010). Importantly, comparative institutionalism highlights that such complementarities exist both within and *across* different institutional orders, such as between the orders of the state, market and professions. For example, comparative institutionalists have long highlighted how societies with strong states are more likely to have bank-based rather than capital-market-based financial systems because such systems make it easier for states to guide economic development (Whitley, 1992; Zysman, 1983). In turn, due to differences in demand for short-term profitability, societies with bank-based financial systems are generally more supportive of long-term employment relations than societies where the financial system is capital based (Aoki, 1994). The existence of such interdependencies suggests that societal

institutions often co-evolve rather than develop independently and that some institutional configurations, over time, are more stable and viable than others. This notion has supported the development of a number of stylized typologies of capitalist market economies, such as the classical distinction between liberal and coordinated market economies (Hall and Soskice, 2001) or Whitley's typology of business systems (Whitley, 1999), which provide insight into the diversity in economic coordination across advanced market societies.

A third feature of comparative institutionalism is that it pays explicit attention to the link between societal institutions and firm- and society-level outcomes. At the firm level, comparative institutionalism highlights that societal background institutions affect both the resources that are available to firms and the capabilities that they develop. For example, societal differences in education systems and opportunities for long-term employment promote national labour pools with different skill sets and motivations (Estevez-Abe et al., 2001). Similarly, societal differences in industrial relations and financial systems can promote firms with radically different innovation capacities (Casper and Matraves, 2003; Hall and Soskice, 2001). As a result, societal institutions can provide firms with a *comparative institutional advantage* over firms from other locations (Hall and Soskice, 2001) and lead firms from different societies to pursue different strategies and activities (Crouch, 2005; Sorge and Streeck, 1988).

The interplay between societal institutions is equally relevant for understanding societal outcomes. For example, Hall and Gingerich (2009) find that complementarities in labour relations and corporate governance are linked to cross-national variation in economic growth rates. Rueda and Pontusson (2000) show how societal background institutions affect national levels of wage inequality. And George (2014) discusses how societal institutions may affect the general level of compassion in the workplace. In other words, comparative institutionalism illustrates that attention to societal background institutions is useful because it helps us understand variation between societies in organizational forms, capabilities and performance, and because attention to societal institutions leaves us better equipped to understand some of the real world issues that directly affect peoples' wellbeing and working lives.

## Comparative Institutionalism and *Organization Studies*

Ever since its launch issue, *Organization Studies* has played a central role in the development of comparative institutionalism in organization research. Born out of ambitions to create an international forum for organization research and to promote a contextualized understanding of organizing (Hickson et al, 1980), *Organization Studies* offered, early on, a welcome home to a number of budding comparative institutional approaches, including the societal effect approach (Maurice, Sorge and Warner, 1980; Sorge, 1991) and the business systems approach (Whitley, 1990; 1994). Work published in *Organization Studies* has also greatly facilitated the diffusion of comparative institutional insights into other areas, such as organizational learning and knowledge creation (Lam, 2000; Robertson et al., 2003), international management (Harzing and Sorge, 2003) and trust research (Bachmann and Inkpen 2011).

With the articles collected in this *Perspectives* issue, we aim to illustrate the rich and varied ways in which *Organization Studies* has, over the years, contributed to the development of comparative institutionalism in organization research. The selected articles include seminal contributions and turning points, as well as more recent extensions and applications (Figure 1). In this section, we review these articles and structure them around three themes.

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Figure 1 about here

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The collection also reflects how the close affinity between comparative institutionalism and organization theory has gradually eroded, in the sense that comparative perspectives have become less central to the way organization theorists study and explain organizations and organizing. This is in part due to the emergence of alternative institutional perspectives in organization theory and, in part, due to differing publication practices and styles of theorizing (see also Delbridge and Fiss, 2013; Meyer and Boxenbaum, 2010). We believe that the collection of articles illustrates that insights from comparative institutionalism can usefully inform current debates in organization theory, and that there



is value in reconnecting these two research streams. These insights and ways forward are discussed in the closing sections of our issue.

*Theme 1: Societal differences in modes of organizing and their consequences*

The article by Maurice et al. (1980) is the earliest contribution in the collection. Published in the launch issue of *Organization Studies*, the article is a rich and powerful illustration of comparative institutional research; both in terms of its focus of inquiry and in terms of its research method, i.e. the systematic comparison of carefully matched cases from contrasting societies. Maurice et al. (1980) systematically compare the work organization of nine production units from France, Germany and Great Britain. Their comparison reveals striking differences in work organization and illustrates how work organization, education and industrial relations are collectively constituted within a society. The findings also show the pertinence of focusing on the relations *between* societal spheres, and on the constellations of these relations (ibid, p. 61), for understanding societal differences in organizing.

Sorge (1991) extends the descriptive work by Maurice et al. (1980) by exploring the power of the societal effect approach to explain organizational performance. In a fascinating demonstration of how to maintain a sense of suspense and surprise in a journal article, Sorge (1991) initially tempts the reader into conceiving the societal effect approach as a neo-contingency framework before, eventually, dispelling the paper's starting position with empirical examples. Building on comparative research, Sorge (1991) suggests that relative industry performance is not explained by the extent to which societal profiles align with an industry's universal task requirements, as contingency theorists would assume, but by the extent to which organizational forms and practices in industries align with societal arrangements. In other words, 'goodness-of-fit in neo-contingency terms (with regard to generally defined task contingencies) gives way to looking at goodness-of-fit in societal terms' (1991: 184). Sorge (1991) subsequently highlights the value of the societal effect approach to understanding the interplay between societal institutions and organizations and the way in which organizations can reconcile and combine opposing requirements from the societal domain and their task environment.

Several aspects of the contributions by Maurice et al. (1980) and Sorge (1991) still strike the eye. First, the articles are significant for their application of the societal effect approach, a

comparative institutional approach which emphasizes the intricate dialectical interactions and interconnections between societal spheres and actors (Brossard and Maurice, 1974; Maurice et al., 1979; Maurice and Sorge, 2000; Sorge, 2005). The societal effect approach has not only been an important inspiration for other comparative approaches (e.g. Whitley 1990; 1992), but it also provides an excellent illustration of the more contextualized, holistic understanding of organizing for which the organization theory community is now calling (Greenwood et al., 2014; Meyer and Höllerer, 2014). Second, the authors make the important point that comparative institutional explanations of cross-national diversity should not be mistaken for particularism. Comparative institutionalism is not an attempt to ‘establish theoretical particularism based on different cultures’, but instead points ‘in the direction of theoretical universalism while exploring the variances of organizations across national or cultural boundaries’ (Maurice et al., 1980, p. 60). Finally, it is interesting to note the authors’ emphasis on the value of international studies, and comparative analyses in particular, to uncover the institutional sources of organizational variation. The organization theory community finally appears to take heed of the value of such studies (Greenwood et al., 2014; Thornton et al., 2012).

*Theme 2: Systematization of the relationship between societal institutions, economic organization and their consequences*

In the 1990s a new literature emerged which sought to systematize the relations between societal institutions and economic organization that had been uncovered in comparative research. One of the most notable of these efforts is the business systems approach (Whitley, 1991; 1992; 1999). The business systems approach starts from the assumption that patterns of economic coordination and organization are often internally consistent, and that such dominant patterns, or business systems, are closely linked to the nature and type of societal institutions. These include the role of the state, financial and education system, and trust and authority relations. Whitley (1992; 1999) subsequently systematized the economic and institutional variety across advanced market economies by defining several distinct business system *types*. Examples are the compartmentalized business system, mostly found in Anglo-Saxon countries; the collaborative business system in parts of continental Europe; and the state-organized business system found in countries such as France and South Korea, albeit

business systems are not necessarily national in scope. While the business systems approach has had some difficulties accounting for institutional change (Sorge, 2005)—an issue addressed in more recent approaches (e.g. Kristensen and Lilja, 2011; Mahoney and Thelen, 2010; Streeck and Thelen, 2005; Whitley and Zhang, 2016)—it usefully highlights the diversity in economic organization that exists within and between societies, and the role of societal institutions and their interdependencies in explaining this variety. Insights from the business systems approach have informed organization theory research on various topics, such as corporate social responsibility (Matten and Moon, 2008), power (Becker-Ritterspach et al., 2016), the diffusion of management practices (Tempel and Walgenbach, 2007), and organizational diversity (Butzbach, 2016).

Whitley (2000) extends this line of work by exploring how business systems and societal institutions affect innovation outcomes. He argues that business systems differ with respect to a number of innovation-related characteristics. These characteristics include ‘how risk and uncertainty are managed, the extent and mode of economic coordination and control, the flexibility and standardization of organizational routines and capabilities, and the role of employees in problem solving and organizational development’ (2000: 864). The resulting framework illustrates in detail how variations in industrial structures and innovation performance across societies develop interdependently with differences in societal institutions. A related strength of the framework is that it suggests equifinality in innovation outcomes, or the idea that similar innovation outcomes can be achieved under different institutional conditions. These insights have been advanced within and outside *Organization Studies* in research on innovation (Allen, 2013; Casper, 2000; Casper and Whitley, 2004), organizational capabilities (Whitley, 2003; 2007), alliances (Vasudeva et al., 2013) and beyond.

Most of the insights in comparative institutionalism derive from rich qualitative studies, which leaves some doubt over their generalizability. The article by Hotho (2014) complements these studies by assessing the validity of the business systems typology and its explanatory power through quantitative methods. His analysis of 30 OECD countries illustrates the validity of the business systems framework and, indirectly, provides support for the long line of comparative studies on which its typology is based. The results of his analysis also suggest that the business systems typology needs

to be extended with an inclusive business system type that is characteristic of the Nordic countries. Hotho (2014) subsequently explores the explanatory power of the business systems framework through a fuzzy-set analysis of innovation specialization patterns. The findings show equifinality in innovation specialization in high-tech sectors, and illustrate the value of the business system approach in explaining some of the more complex links between societal institutions and societal outcomes.

*Theme 3: The implications of differences in societal institutions for multinational enterprises*

The third theme represented in *Organization Studies* centers on the implications of differences in societal institutions for multinational enterprises (MNEs). Mueller (1994) questions the notion that national patterns lead to isomorphic organizational practices and strategies. Sectors that harmonize prevailing institutions are expected to be the strong ones. However, Mueller (1994) argues that this should not be taken as a dominant effect of societal institutions. Although there is evidence for convergence in work organization across societies, Mueller (1994) underscores that these universal effects may complement societal effects. In his effort to integrate industrial sociology with international business works, he reveals that processes of isomorphism can work in both ‘intra-societal and inter-societal/intra-firm ways’ (ibid., p. 418).

Similar to Sorge (1991), Mueller (1994) recognizes the societal effect approach as offering a clear link between the institutional structure of a society and organizational forms and human resource practices. In other words, organizations and society tend to reflect each other structurally. However, this, according to Mueller (1994), ‘underestimates the “organizational effect” and the influence of globalization’ (ibid., p. 413) that can lead to convergence in forms of organizing. He cautions researchers to examine organizational effects in addition to societal effects in the diffusion of knowledge as increasing number of MNEs pursue global strategies in the organization of their work, workplace training and industrial relations. This contention has been advanced by Harzing and Sorge (2003) within, and Brumana and Delmestri (2012) and Quack (2007) outside *Organization Studies*.

*Organization Studies* has taken up two prominent sub-themes within the theme of societal institutional implications for MNEs. The first sub-theme featured in the journal is the country-of-origin effects on control and coordination. Harzing and Sorge (2003) demonstrate that MNE practices

are influenced by country-of-origin effects, as well as universal factors, in particular industry and size. The former effect explains organizational control mechanisms, and the latter effect is observed in internationalization strategy. Similar to Mueller (1994), Harzing and Sorge (2003) discuss two separate—societal and organizational effects—on ways of organizing. They provide support for the existence of unique country patterns even for the most internationalized companies. They conclude that there is ‘clustered divergence in which globalization appears to promote organizational effects (in Mueller’s terminology), but this organizational effect is rooted in the country-of-origin and thus a result of societal effects’ (Harzing and Sorge, 2003: 207). A similar debate prevails on HRM practices of MNEs outside *Organization Studies* albeit largely in two separate camps (exceptions include Aguzzoli and Geary, 2014). On the one hand, it is argued that there is divergence or variation in HR practices owing to institutional influences and the strategic position of subsidiaries (e.g. Festing *et al.*, 2007; Festing and Sahakiantz, 2014). On the other hand, scholars demonstrate convergence in HR practices where subsidiaries operating in institutionally less regulated and highly competitive markets mimic the practices of parent companies based in institutionally developed settings to gain or sustain a competitive advantage (e.g. Pudelko and Harzing, 2007; Edwards *et al.*, 2010).

In a similar vein, Ferner *et al.* (2004) in *Organization Studies* highlight the country-of-origin effect in MNE coordination of foreign subsidiaries. They argue that the balance between HQ centralization and subsidiary autonomy is a manifestation of the interplay of interests between MNE actors at different levels, i.e. micro-political negotiation. However, the oscillation between centralization and decentralization varies with the embeddedness of a subsidiary in a specific societal institutional system. For instance, institutional rigidities in Germany suggest less flexibility for firms where unions and the works council can resist changes in status quo. However, given that such changes need to be interpreted and acted upon by actors within the firm, there is room for agency in the form of local modification of HQ policies. Differences between societal institutional systems tend to serve as a leverage in such negotiations. This has also been emphasized outside *Organization Studies* in subsidiary efforts to change product formulations that are successfully developed by HQ (e.g. Saka-Helmhout and Geppert, 2011), and the local adaptation of HRM practices (e.g. Edwards and Kuruvilla, 2005; Ferner *et al.*, 2012).

The second sub-theme, i.e. agency, is more strongly represented by Saka (2004) and Morgan and Quack (2005) in *Organization Studies*. These authors adopt an actor-centred perspective on modes of organizing. Saka (2004) highlights the agentic role of actors in the collective translation of meanings of work systems from a dissimilar societal institutional setting. She argues that the institutionalization of alternative practices is facilitated by a ‘dynamic interaction among episodes of external acquisition of knowledge, of its use by firms and commitment by firms to the extent that the acquired knowledge assumed a taken-for-granted nature, or of the attachment of a symbolic meaning and value by adopters to the practice, in the same way as employees from the home country had’ (ibid., p. 223). Local actors were not simply driven by broader institutional belief systems, but had room to shape practices via interpretative schemes and interaction patterns.

Similarly, Morgan and Quack (2005) engage with the issue of how actors reshape their organizational and institutional contexts during internationalization. They argue that actors are not simply passive recipients of institutional resources. They are also ‘involved in both the construction and reconstruction of such [institutional] resources within and across national contexts’ (ibid., p. 1765). Although professional and legal systems in the UK and Germany influence law firm dynamics, corporate lawyers can display an entrepreneurial orientation by seizing upon emerging international markets for legal services. Both the British and German law firms relied on strong personal connections in the formation of global law firms. At the same time, their market location choice reflected institutional legacies. For instance, British law firms invested in areas where there was the influence of English law such as the Middle East and Asia, but not the USA. The role of active agency has also occupied the agenda of organization theorists such as Oliver (1991), Meyer and Hammerschmid (2006), and Greenwood *et al.* (2010), albeit in single societal institutional setting, outside *Organization Studies*.

### **Implications for Organization Theory**

Over the past decade, insights from comparative institutionalism have become less visible in the way organization scholars explain and understand organizations and organizing. As indicated, this may be

due to diverging styles of theorizing and associated publication preferences (with comparative institutionalists showing a relative preference for books over journal articles, for example). Despite this trend, we believe that insights from comparative institutionalism are highly relevant for some of the questions raised in organization theory regarding the links between institutions and organizations, and that it is meaningful to look for ways to reconnect these literatures. Greenwood *et al.* (2014) highlight that organization theory lacks a holistic, contextualized understanding of how organizations are structured and managed. The overemphasis on the organizational field and the institutional processes within has sparked a debate on the need for organization theorists to give attention to the organizational level of analysis, in particular, to the differences between organizations (Greenwood *et al.*, 2014; Meyer and Höllerer, 2014; Lounsbury and Beckman, 2015). As we discuss below, insights from comparative institutionalism can enrich these discussions in a number of ways.

First, we believe that comparative institutionalism can enrich organization theory research because it contains valuable insights into the sources of organizational heterogeneity across societies. Organization theory often emphasizes *inter*-institutional heterogeneity (Meyer and Höllerer, 2014), or the fact that the organizing principles of different institutional orders *within* societies, such as the state, the market and the family (Friedland and Alford, 1991), can be both competing and complementary (Reay and Hinings, 2009; Thornton et al., 2012). In contrast, comparative institutionalism is more sensitive to the fact that institutional orders and their associated logics often vary considerably *across* societies, because they are the product of historically embedded institutional processes and arrangements that are society-specific. That is, comparative institutionalism highlights that there is considerable variation across societies in the symbols and practices associated with institutional orders—in particular the orders of the state, the market, the profession and the corporation—and in the organizing principles associated with these orders. Comparative institutional perspectives therefore cast doubt on the universality of institutional logics, and highlight instead that the same societal institutions can constitute a major source of heterogeneity across contexts in how collective action is organized, how organizations function, and how actors within an institutional order relate to each other (e.g. Maurice et al., 1980; Sorge, 1991; Whitley, 1999; 2000).

In other words, insights from comparative institutionalism may help organization theorists account for what Meyer and Höllerer (2014) call *intra*-institutional heterogeneity, or differences and complexity that arise as a result of variation within institutional orders *across* societies. For example, the business systems typology (Hotho, 2014; Whitley, 1992; 1999) is an attempt to systematize and explain the variety that exists across societies within the institutional order of the market. The insights it provides can help organization theory scholars recognize and understand differences in organizing across contexts that are difficult to explain with institutional perspectives that operate at the level of the field. A good illustration is Nicolini et al. (2015)'s historical study of ownership and control of community pharmacies in Italy, Sweden, the US and the UK. Their findings, regarding the differences between these societies in how conflicting logics are resolved through institutional arrangements, resonate with established insights into the economic organization of these societies regarding the prevalence of market versus non-market coordination and the role of the state (e.g. Hall and Soskice, 2001; Hicks and Kenworthy, 1998; Whitley, 1999). As Nicolini et al. (2015) recognize, insights from comparative institutionalism can help organization scholars make sense of such differences.

Comparative institutionalism also contains valuable insights into the *implications* of intra-institutional heterogeneity between societies for organizational actors (e.g., Djelic and Quack, 2010; Kristensen and Lilja, 2011; Morgan and Kristensen, 2014; Sorge, 2005). Such insights are relevant for organization theory research on a variety of topics, ranging from research on the diffusion and adoption of practices (Ansari et al., 2014; Gond and Boxenbaum, 2013) and how organizations handle intra-institutional complexity (Meyer and Höllerer, 2010), to research on variation in institutional change and maintenance efforts (Battilana et al., 2009; Lawrence and Suddaby, 2006) across different polity types. For example, comparative insights into the effects of societal institutions on power relations and professional demarcations within organizations (Becker-Ritterspach et al., 2016; Whitley, 2007) can provide micro-level studies of diffusion and adaptation with vital insights into *who* gets to participate in the contextualization of new practices (Hotho et al., 2014). Similarly, in their study of the diffusion of shareholder value and CSR models among firms in Austria, Meyer and Höllerer (forthcoming) highlight the value of comparative institutionalism to understand how organizations experience and handle the institutional complexity resulting from different *Leitideen*



within the order of the market. Insights from comparative institutionalism into the positions, endowments and capacities of societal actors can be similarly helpful to understand *which* kinds of actors perform *what* kinds of institutional work in different societies (Hwang and Colyvas, 2011). We fully agree with other organization scholars that international studies are valuable in this regard (Greenwood et al., 2014; Marquis and Raynard, 2015; Thornton et al. 2012; Tempel and Walgenbach, 2007), because they bring this variety to the forefront.

Second, we believe comparative institutionalism contains valuable insights for organization theory on the relations *between* societal institutions. Recent studies in organization theory recognize that organizational fields are often populated by multiple institutional logics and that these logics can coexist in a variety of ways (Goodrick and Reay, 2011; Nicolini et al., 2015; Smets and Jarzabkowski, 2013; Waldorff et al., 2013). Goodrick and Reay (2011), for example, highlight how the professional work of pharmacists since the 1800s has been informed by multiple institutional logics, and that the relationship among these logics has varied considerably between different historical eras. Their notion of constellations of logics which collectively guide action draws attention to the relation *between* institutional orders. It recognizes that the logics of different societal orders can coexist as well as compete, and that these logics can complement each other in several ways.

This shift in perspective from conflicts to complementarities between societal orders opens up exciting possibilities for cross-fertilization with insights from comparative institutionalism. As we illustrated at the beginning of our essay, comparative institutionalism has long recognized the coexistence of societal institutions. It has conceptualized this coexistence as complementarity where the presence of a societal institution raises the returns available from other societal institutions (Hall and Gingerich, 2009). Complementarity is a central notion in comparative institutionalism's configurational perspective on institutions (Aoki, 1994; Crouch et al., 2005<sup>1</sup>) and is seen as an important source of comparative institutional advantage (Hall and Soskice, 2001). The centrality of complementarity is also reflected in the various efforts by comparative institutionalists to construct

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<sup>1</sup> Crouch (Crouch et al., 2005) suggests that true complementarity can only exist when complementary components are united in a whole, as in a *pizza napolitana*. We think this requirement is unproductive for institutional analysis and instead prefer to view complementarity as a Scandinavian *smörgåsbord*, where the ritual of drinking *snaps* complements the consumption of fatty fish by making the latter easier to digest.

typologies of capitalism (Amable, 2003; Hall and Soskice, 2001; Whitley, 1999). Such typologies rest on the assumption that complementarities across institutional orders, such as the state and the market, are a precondition for viable and stable economic systems. For example, Hall and Soskice (2001) suggest that the capacity for radical innovation by firms from liberal market economies, such as the U.S., is supported by the presence of states that are inclined towards arms-length involvement, including in the areas of education, welfare provision and labour market regulation. Similarly, Whitley (1999; 2000; 2005) highlights how the tendency for long-term relations and risk-sharing between economic actors in collaborative business systems, such as in Germany, is supported by the presence of states which assume a more direct role in economic and social development. Comparative institutionalists have also examined in detail how complementarities between societal institutions are negotiated and constructed over time (e.g., Jackson and Thelen, 2015; Streeck and Thelen, 2005; Thelen, 2004).

In other words, whereas organization theory has generated valuable micro-level insights into how practitioners construct and accommodate different institutional logics (e.g., Goodrick and Reay, 2011; Smets and Jarzabkowski, 2013; Värlander et al., 2016), comparative institutionalism provides a more detailed and historically informed understanding of the complementarities between institutional orders, and how these complementarities vary across societies. We believe that insights from comparative institutionalism and organization theory can be combined to better understand variation *across* societies in the logics that actors invoke in daily practice, as well as how actors make sense of institutional complexities and learn to utilize them (e.g. Morgan and Quack, 2005; Smets and Jarzabowski, 2013).

Finally, due to its international orientation, comparative institutionalism is well positioned to provide useful insights into how organizing and organizational action are affected by institutional plurality (Saka-Helmhout *et al.*, 2016). Multinational enterprises (MNEs) operating in international settings demonstrate the pliability and heterogeneity of organizational responses to multiple institutional requirements. For instance, given its dual embeddedness in home and host country institutional environments, the MNE subsidiary represents an organizational form that is constantly exposed to multiple and often contradictory institutions that shape its response strategies to these

institutions (e.g. Edman, 2016). The focus on how organizational attributes, such as firm ties, vary across different types of organizations on the basis of broader societal institutions highlight some of the scope conditions under which organizations ‘similarly differ’ (Meyer and Höllerer, 2014: 1230).

For example, comparative studies have shown that organizations often have less room for discretionary action if they are operating in countries with relatively strong institutional inter-linkages. This is illustrated by Wal-Mart’s failure in the German retailing market. Wal-Mart relied on the resources of network dominance and autonomous action that characterizes its US home country operation which clashed with the social norms that emphasize consultation and collaboration in Germany (Christopherson, 2007). These institutional pressures are felt to a lesser extent by firms operating in arm’s length transactional settings. For example, Saka (2002) demonstrates that Japanese automotive manufacturers are better able to impose their practices on local labour market conditions in the UK due to their emphasis on integration mechanisms such as the heavy use of expatriate management and hands-on training that are defined by the highly-coordinated business system in Japan. Consequently, societal institutional differences matter, because they lead to comparative advantage. Hence, they affect decisions around firm strategy and structure. Firms aiming to maintain this home institutional advantage in a host country with dissimilar institutions face a significant dilemma that has implications for ways of addressing institutional complexity and maintaining legitimacy (Ahmadjian, 2016).

### **Advancing Comparative Institutionalism**

While our intention was to highlight the value of comparative institutionalism for current debates in organization theory, we recognize that organization theory, similarly, contains valuable insights for research in comparative institutionalism. Three examples are the topics of agency, institutional change and the role of civil society in capitalist societies. With respect to agency, comparative institutionalism recognizes that actors have the capacity to change or avoid institutions (Deeg and Jackson, 2007) and that this capacity is facilitated by institutional heterogeneity across sectors, policy domains and regions *within* the same societal setting (e.g. Allen, 2004; Schneiberg, 2007; Crouch *et*

*al.*, 2009; Lane and Wood, 2012; Morgan and Quack, 2005). Lange (2009), for example, highlights how sub-national institutional heterogeneity and internationalization provide German biotech firms with the leeway needed to compete with their British counterparts, while Allen (2013) emphasizes that firms can access institutional resources abroad through institutional arbitrage and ‘institutional outsourcing’. Nevertheless, comparative institutionalism still pays relatively little attention to how diverse institutional demands open up avenues for creative recombination and experimentation at the firm level (Allen, 2013; Casper, 2000; Gond and Boxenbaum, 2013; Kristensen and Morgan, 2012). Insights from organization theory, such as on institutional complexity (e.g. Greenwood *et al.*, 2011; Meyer and Hammerschmid, 2006; Smets and Jarzabkowski, 2013), may be useful to understand, in greater detail, how organizational innovations are enabled by societal, field and organizational conditions in combination.

Organization theory has also made significantly more progress than comparative institutionalism in explicating the organizational processes, such as institutional work (Lawrence *et al.*, 2009) and characteristics such as an organization’s position (e.g. Leblebici *et al.*, 1991) or identity (e.g. Glynn, 2008) in the realization of institutional change. A similar discussion is hard to find in comparative institutionalism, despite the calls for a stronger understanding of how actors reshape institutions for new courses of action that transform those institutions (Deeg and Jackson, 2007). Comparative institutionalists emphasize that misalignments between institutionalized rules and situational demands are the space in which actors’ choices may lead to innovative changes (e.g. Hancké and Goyer, 2005). However, it is unclear how organizational capacities to formulate strategic actions are triggered, and how organizations are enabled to take a critical distance from existing institutional arrangements. This is where we believe advancements in organization theory can aid in progressing discussions on institutional change in comparative institutionalism.

Finally, strands of organization theory have also been more attentive than comparative institutionalism to some of the social dynamics of capitalist systems. For example, comparative institutionalism has tended to be relatively uncritical of corporate power (Geppert, 2015) and can show little sensitivity to the fact that corporate interests and those of the general public are not always aligned (Culpepper, 2016; Korpi, 2006). As a result, comparative institutionalism contains relatively

few insights into the ways in which firms bend public institutions in their favour, and how firms organise their interests to influence policy making and with what social consequences. Comparative institutionalism has also devoted decidedly more attention to incumbents and dominant coalitions than to the challengers of societal norms and arrangements. While organization theory is often criticized for these very same issues (Barley 2007; 2010; Munir, 2015), it has been more attentive to the fact that the corporate sector, social movements and civil society are increasingly intertwined (e.g., Davis et al., 2005; De Bakker et al., 2013). For example, organization theory arguably contains more detailed insights than comparative institutionalism into the multifaceted relationships between corporations and secondary stakeholders, as well as the repertoires of action through which activists and interest groups seek to change existing arrangements (e.g., Den Hond and De Bakker, 2007; Schneiberg and Lounsbury, 2008; Van Wijk et al., 2013). We believe that broadening comparative institutional analyses to account for such processes and relations can contribute towards a more dynamic comparative understanding of societal institutions, including how institutions are both contested and sustained, and of the social forces that drive capitalist societies (see also Streeck, 2010; Streeck and Thelen, 2005).

## **Conclusion**

Recently, the state and future of organization theory research has been widely debated (e.g., Davis 2015; Greenwood et al., 2014; Lounsbury and Beckman, 2015; Meyer and Höllerer, 2014). Uniting some of these discussions is the perceived need for greater contextualization of our understanding of organizations and modes of organizing, and for greater attention to how institutions can be a source of both homogeneity and heterogeneity in organizational forms and practices. In this essay, we have argued that comparative institutionalism contains insights that can inform these discussions, and that there is value in reconnecting these lines of research.

First, comparative institutionalism can enrich organization theory research because it provides insights into the causes and consequences of intra-institutional heterogeneity (Meyer and Höllerer, 2014), or differences within the same institutional sphere *across* different societies; in particular

within the institutional order of the market. For example, comparative institutional approaches have long highlighted how firms in similar industries from different societies tend to organize themselves in strikingly different ways. Much of this heterogeneity is attributed to the variation in societal background institutions such as the political, financial and education system. Comparative institutionalism also contains rich insights into how intra-institutional variety is linked to differences in organizational and societal outcomes, and the way in which such heterogeneity affects firms that operate internationally. If we are to move to a more holistic and contextualized understanding of organizations and organizing, then it is meaningful to consider how similar institutional orders take on different forms in different societies and the way in which they interrelate with modes of organizing. As the articles included in this *Perspectives* issue illustrate, this is an area where comparative institutionalism can contribute.

Second, comparative institutionalism can enrich organization theory research with insights into the relationships *between* institutional orders and their organizational implications. One way to contextualize our understanding of organizing is to be more sensitive to differences between types of organizations (Greenwood et al., 2014). Another way to make our research more context sensitive is to give greater consideration to the interplay between institutional arrangements from different institutional orders, such as between the orders of the state, market and profession. Relevant questions are how institutions from different orders influence organizing *in conjunction*, and how organizations and individuals navigate or exploit institutional contradictions and complementarities beyond the organizational field. Greater attention to the interplay between different institutional orders *within* societies would enhance our understanding of organizing *in situ*, and of the complex linkages between societal institutions and organizational outcomes (Allen 2013; Herrmann, 2008; Lange, 2009). Comparative institutionalism is well placed to shed light on these relations due to its configurational perspective on societal institutions. We also see scope for a joint research agenda on how societal and field level institutions interact.

Third, comparative institutionalism can enrich organization theory with its focus on the comparative study of MNEs. In doing so, comparative institutionalism offers fresh opportunities to study the role of society in the ways in which organizations manage multiple institutional demands.

The dynamic interaction between MNEs and the varying institutional demands across their multiple environments facilitates an understanding of how differences in the complementarities between institutional orders can influence organizations' experience of institutional plurality (Ahmadjian, 2016; Saka-Helmhout et al., 2016). The level of within-society institutional inter-linkages can affect the strategies that organizations adopt in response to institutional plurality across societies. An enquiry, through a comparative study, into such intra-institutional heterogeneity can contribute to contemporary debates in organization theory on the drivers and mechanisms that enable discretionary action to resolve multiple institutional demands.

In conclusion, this essay and the articles included in this *Perspectives* issue of *Organization Studies* illustrate that comparative institutionalism can usefully inform current questions in organization research, and that there is value in reconnecting the two. Per the motto of *Organization Studies*, we see such cross-fertilization as a promising stepping-stone towards a deeper understanding of organizing, organizations and the organized, both 'in and between societies'.

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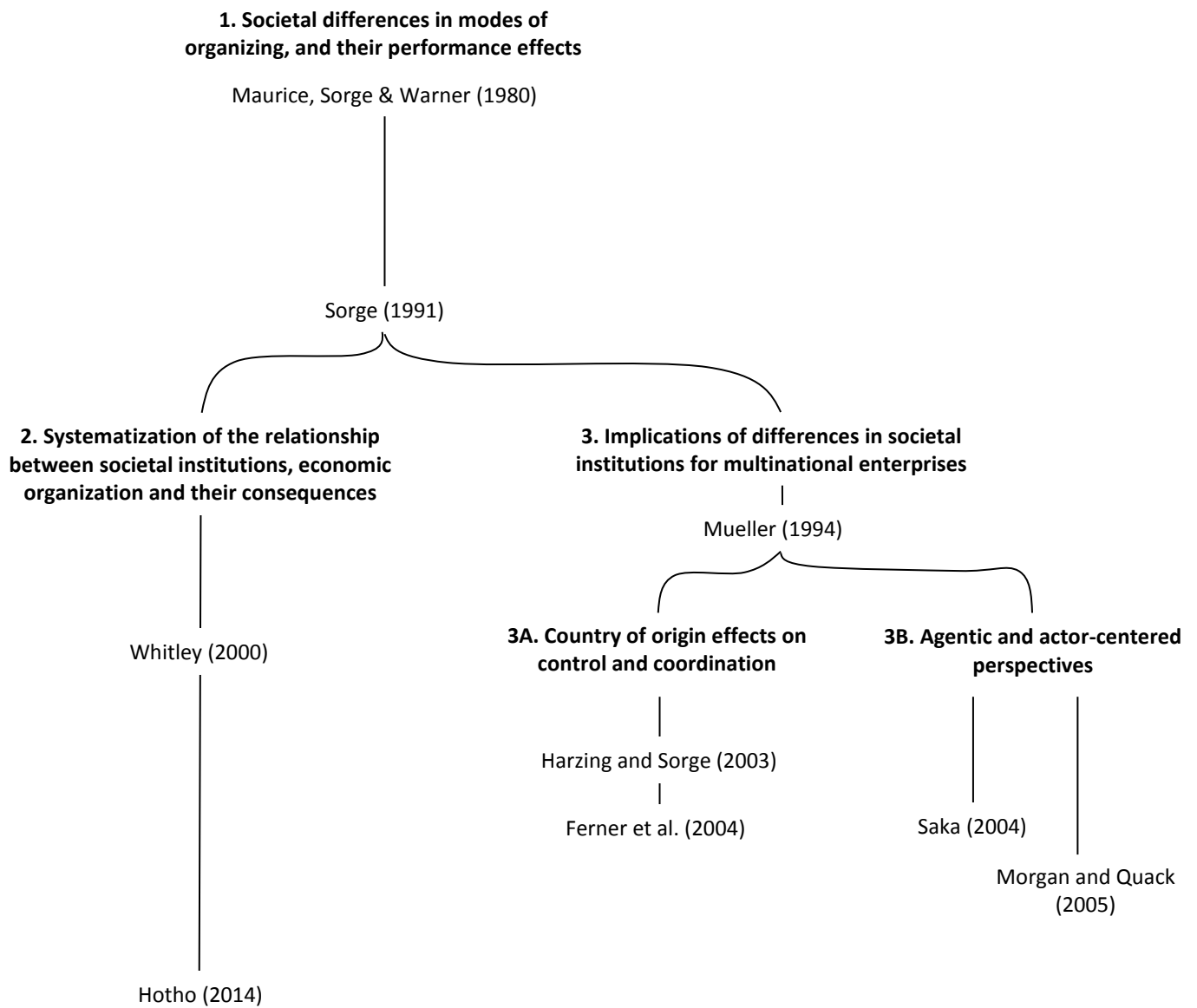
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**Figure 1.** Overview of the articles included in the *OS Perspectives* issue