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ISOMORPHISM, DIFFUSION AND DECOUPLING: CONCEPT EVOLUTION AND THEORETICAL CHALLENGES

EVA BOXENBAUM AND STEFAN JONSSON

ABSTRACT

This chapter traces the evolution of the core theoretical constructs of isomorphism, decoupling and diffusion in organizational institutionalism. We first review the original theoretical formulations of these constructs and then examine their evolution in empirical research conducted over the past four decades. We point to unexamined and challenging aspects of this conceptual evolution, including the causal relationships among these core theoretical constructs. The chapter ends with a discussion of important theoretical frontiers to address in future research.

INTRODUCTION

A longstanding question in organization research is what makes organizations more or less similar to each other. Early organization theorists pointed out that organizations that share the same environment tend to take on similar forms as efficiency-seeking organizations sought the optimal "fit" with their environment. Institutional theories of organization have added two related claims to this literature. First, organizations adapt not only to technical pressures but also to what they believe society expects of them, which leads to *institutional isomorphism*. Organizations need a societal mandate, or legitimacy, to operate and this is gained by

conforming to societal expectations. Second, when adaptations to institutional pressures contradict internal efficiency needs, organizations sometimes claim to adapt when they in reality do not; they decouple action from structure in order to preserve organizational efficiency. A large number of empirical studies have subsequently refined the related propositions of institutional isomorphism and decoupling, and also introduced new questions and dimensions to the original propositions. Our aim in this chapter is to bring clarity to this body of literature by first establishing the state of the art and then identifying important areas in need of further research.

A central idea of institutional isomorphism is that organizations conform to "rationalized myths" in society about what constitutes a proper organization. These myths emerge as solutions to widely perceived problems of organizing and become rationalized when they are widely believed to constitute the proper solutions to these problems. As more organizations conform to these myths they become more deeply institutionalized, which subsequently leads to institutional isomorphism (Meyer and Rowan 1977). Institutional isomorphism supposedly results from processes that stimulate the diffusion of ideas, practices, and prescribed structures among organizations within an organizational field (DiMaggio and Powell 1983). Although diffusion was introduced as a mechanism that led to isomorphism, many empirical researchers implicitly reversed this causal link and invoked isomorphism as a *cause* of diffusion. More recent work has corrected this misconception and now treats isomorphism as the potential *outcome* of diffusion, as originally intended.

The second claim about organizational similarity is that organizations *decouple* their formal structure from their production activities when institutional and task environments are in conflict, or when there are conflicting institutional pressures. Decoupling

enables organizations to seek the legitimacy that adaptation to rationalized myths provides while they engage in technical "business as usual". Although decoupling is a core idea in institutional theory, it has received limited scholarly attention (see e.g. Scott 2001), a tendency that has recently begun to change. We review the empirical research that has refined and extended the notion of decoupling and the factors that have been found to predict or mediate this response to institutional pressure for conformity, as well as some of the possible organizational and field-level consequences of decoupling.

Despite the centrality of isomorphism and decoupling within institutional theory and their close theoretical ancestry, surprisingly little attention has been devoted to examine how they relate to each other. We review the few studies that address this shortcoming and suggest several interesting directions for future research. A fruitful empirical and theoretical research agenda is to clarify the relationship between isomorphism and decoupling under different field conditions.

We begin the chapter with an outline of the early theoretical formulations where we explicate the initial core theoretical statements of isomorphism and decoupling and proceed to trace how decades of empirical research have contributed to the refinement of these statements. This refinement has taken place against the backdrop of a wider shift within institutional theory toward a greater recognition of heterogeneity in the institutional environment and in organizational responses to institutional pressures (see Greenwood, Raynard, Kodeih, Micelotta and Lounsbury 2011; Kraatz and Block, 2008). We discuss how this shift toward heterogeneity has impacted on our understanding of isomorphism and decoupling. The chapter ends with a discussion of what we identify as neglected areas of research as well as the relationship between institutional isomorphism and decoupling. It is

our hope that this juxtaposition of empirical findings with our reflection on the interaction among isomorphism, diffusion and decoupling will catalyse new and exciting research questions that can propel institutional theory forward without abandoning its core characteristics.

EARLY THEORETICAL STATEMENTS

Isomorphism

Why are organizations so strikingly similar? DiMaggio and Powell (1983) proposed that institutionalized ideas pressure organizations to adopt similar structures and forms, and as a result they become increasingly similar. It was not a new idea in organization theory that organizations in the same environment over time also come to share their appearance. Already Weber argued that the "iron cage of rationality" and competitive forces in society pressured organizations to similarity in structure and action. Rational adaptation theorists then claimed that organizational similarity results from efficiency-seeking organizational adaptation to a similar task environment (Scott 1995). Playing down the aggregate effects of organization-level adaptation, population ecology theorists have subsequently argued that environmental competitive selection forces leave the surviving organizational population structurally similar.

Institutional isomorphism was distinct from these perspectives in its assertion that organizations became similar not through adaptation to an external or technically demanding environment or through the "weeding out" of technical and social misfits, but through adaptation to a socially constructed environment. This statement about institutional isomorphism should be understood as a new take on a longstanding interest in the structure of organizations within organizational sociology, a heritage from open-

systems theories of the 1960s, and the development of the population ecology school from 1977 and onwards (Scott 2004).

DiMaggio and Powell outlined three pressures that lead organizations to become increasingly similar: *coercive*, *mimetic* and *normative* pressures. Coercive pressures result from power relationships and politics; prototypically these are demands of the state or other large actors to adopt specific structures or practices, or else face sanctions. Coercive pressures are not only by fiat but can also result from resource dependence, such as demands to adopt specific accounting practices to be eligible for state grants or requirements of ISO certification to become a supplier (see for instance work by Edelman 1992; Guillen 2001; Sutton, Dobbin, Meyer and Scott 1994). Mimetic pressures arise primarily from uncertainty. Under conditions of uncertainty, organizations often imitate peers that are perceived to be successful or influential (Haveman 1993; Palmer, Jennings and Zhou 1993). Normative pressures pertain to what is widely considered a proper course of action, or even a moral duty (Suchman 1995), such as when there are signals from the organizational environment that the adoption of a particular practice or structure is a correct moral choice. Normative pressures are often associated with professions because the similar education and training instil similar professional values of what is considered appropriate for professionals to carry into organizations, a process that tends to favour the adoption of similar practices and structures across organizations (for instance Galaskiewicz and Burt 1991; Mezias 1990).

These three pressures can also be thought of in terms of topographical directions from where institutional pressures emanate in an organizational field: regulative pressures normally come from vertically positioned actors (e.g., the state) whereas mimetic and normative pressures often stem from horizontally positioned peer organizations or groupings. For instance, Strang and Soule (1998)

liken the three pressures to a mapping of diffusion channels in terms of a) external pressure, such as the state, b) peer pressure from other firms, and c) internal diffusion pressure from professional information networks.

DiMaggio and Powell proposed a dozen hypotheses relating to how organizations that are subject to institutional pressures respond to an increasingly institutionalized environment. These hypotheses range from predictions about the degree of isomorphism at the level of an organizational field to the rate by which different kinds of organizations are expected to morph to similarity with the field. The hypotheses relate to questions that were, at the time, topical in organization theory, most notably questions about organizational structure, implications of resource dependence across organizations, the effects of organizational and field goal ambiguity, and the level of professionalization of the workforce.

These theoretical statements and propositions were meant to further our understanding of how organizations became increasingly similar over time. They were intended to set the arena for much of the subsequent empirical work on isomorphism. However, empirical research fairly soon re-directed our collective attention to further our understanding of the diffusion of practices and ideas (see Greenwood and Meyer 2008 for a review of DiMaggio and Powell 1983). As a result, some of the fundamental ideas of institutional isomorphism did not become subject to empirical investigation until much later, if at all. At the same time, some empirical findings have also prompted significant reformulation of some of the early theoretical statements (e.g., Bromley and Powell 2012).

Decoupling

When organizations are pressured to adapt to societal rationalized myths about what organizations should look like and do, they face two problems: First, the rationalized myths may not comprise an

efficient solution for the organization, and second, competing and mutually inconsistent rational myths can exist simultaneously. Meyer and Rowan (1977) proposed that organizations decouple their practices from their formal or espoused structure to solve these two problems of institutional pressures. In effect, decoupling means that organizations abide only superficially by institutional pressure and adopt new structures without necessarily implementing the related practices.

The idea of organizations decoupling structure and action reflected the perspective of organizations as loosely coupled systems that became popular in the mid-1970s. A group of organizational sociologists and social psychologists proposed loose coupling as a solution to problems of change and reform in US public schools (Hallet and Ventresca 2006). In a challenge to the dominant system theory where organizations were seen as coherent units composed of densely linked and interdependent elements, they proposed instead that organizational elements are loosely coupled to one another. Drawing on this insight, they investigated different kinds of couplings and how these are created (e.g., Weick 1979) also in relation to decision-making processes (March and Olsen 1976; Brunsson 2002). In reference to the general idea of organizations as loosely coupled systems, Meyer and Rowan introduced decoupling as a notion that refers specifically to a conscious disconnect between organizational practice and organizational structure. Inherent in decoupling in its initial formulation is the claim that practice is determined by perceived efficiency concerns, whereas organizational structure results from institutional pressure for conformity.

In its original statement, decoupling can be a rational response to demands for organizational adaptation that are inconsistent or harmful to the organization. When engaged in decoupling, organizations achieve legitimacy through their espoused

structure but remain efficient or consistent through their actual action, which enhances their survival prospects. Gaining legitimacy without actually adapting relies critically on the "logic of confidence and good faith", i.e. that people trust that the organization actually does what it says it will do (Meyer and Rowan 1977: 357), which means that organizations that decouple must avoid close inspection or else they are exposed as frauds. A corollary to the decoupling proposition is therefore that when institutional pressures lead to decoupling, organizations will do their best to avoid scrutiny or at least to control the process of scrutiny.

EMPIRICAL EXAMINATION

Voluminous research has been conducted on institutional isomorphism and decoupling since the earliest theoretical formulations. Recognizing our inability to fairly represent the entire body of work, we structure the review of empirical work according to themes that emerged as salient after a systematic search of the most relevant literature. In the discussion section, we revisit the development of these themes in relation to the wider theoretical developments within institutional theory over the past four decades.

Isomorphism

The great majority of empirical studies on institutional isomorphism starts from the theoretical premise that organizations in the same field do indeed become similar to one another over time. Only few studies have sought to empirically validate this core theoretical statement (e.g., Tuttle & Dillard, 2007; Ashworth et al., 2009; Heugens and Landers 2009), a point to which we will return later.

Similar in what respect?

An important question about isomorphism is in what respect organizations are supposed to become similar. The early theoretical

statement by DiMaggio and Powell is ambiguous on this topic, suggesting that isomorphism can be detected by "the lessening in variance around some central dimension". This ambiguity essentially left subsequent empirical researchers to their own devices (Oliver 1988; Scott and Meyer 1994). Early empirical studies that have investigated isomorphism as an outcome emphasize different dimensions and levels in their measurements of similarity. Meyer, Scott and Strang (1987) investigated isomorphism in the *structure* of U.S. schools and found more evidence of isomorphism at higher than at lower levels of the administrative system, i.e., levels that were further removed from the local task environment of education. A decade later, Meyer, Boli, Thomas, and Ramirez (1997) investigated the structure of national educational systems in a large-scale empirical study of world systems. In this study, they show that educational systems are becoming increasingly similar across the globe, especially so in countries that are more tightly integrated into the "western cultural account". Both studies point to the presence of isomorphism in organizational structures within the educational sector.

Other studies have focused more closely on isomorphism in organizational *output*. Levitt and Nass (1989) investigated isomorphism in the *content* of college text books. In their investigation of academic publishing, they found isomorphism to be more prevalent in the mature academic field of physics than in sociology. Kraatz and Zajac (1996) showed that in a maturing field of U.S. higher education, the homogeneity of college programs decreased, rather than increased, suggesting that isomorphism did not occur, at least not in the programs that colleges offered.

Ashworth, Boyne and Delbridge (2009) have subsequently argued that it is not only a question of *what* becomes isomorphic but also of *how we measure* isomorphism. They argue that there are different dimensions of isomorphism and distinguish between 1)

behavioural compliance with institutional pressure and 2) organizational convergence to a common, widely accepted practice within a field (see also Greenwood, Oliver, Sahlin and Suddaby, 2008). When using the former measure to investigate isomorphism among U.K. public organizations, they found a high degree of isomorphism, whereas the latter measure produced a much lower degree of isomorphism in the same population of organizations. They propose that empirical studies apply more comprehensive measures of isomorphism to better capture the complexities of this notion.

A common feature of these empirical studies is the ambiguity of the relevant dimension, measure, and level of analysis where similarity should or should not occur in order to confirm the presence of institutional isomorphism. This ambiguity makes it difficult, even after three decades of research, to determine the degree of empirical support for the proposition of institutional isomorphism, including its limitations. More theoretical and methodological work clearly needs to be done in this area to render institutional isomorphism an empirically falsifiable theoretical proposition and to better understand how, and under which conditions, it is produced.

Similarity as resulting from diffusion?

Only a minority of empirical studies that invoke institutional isomorphism studies isomorphism as an outcome variable. Rather than test isomorphism as an empirical outcome, studies have typically turned to the *mechanisms* through which isomorphism supposedly happens, notably the three institutional pressures outlined by DiMaggio and Powell. It was a typical early research strategy to test one (or more) of the institutional pressures against an efficiency or resource dependence perspective in order to explain the diffusion of certain practices and structures (for instance Kraatz

and Zajac 1996; Palmer et al. 1993). Yet, such studies do little to demonstrate that widespread diffusion indeed leads to isomorphism, let alone full institutionalization (Colyvas and Jonsson 2011).

The various diffusion studies that invoke theories of institutional pressures can be organized according to the focal type of institutional pressure. Early studies found that *mimetic* pressures emanated most strongly from actors that are considered similar (Greve 1998), successful and prestigious (Haveman 1993). In addition, Haunschild (1993) found mimetic pressures to operate through networks of board members and the migration of executives (Kraatz and Moore 2002; Jonsson 2009). In recent work Still and Strang (2009) turn the analytical gaze around and investigate mimetic behavior from the perspective of the imitator. Following the bench-marking efforts of an elite financial actor, they found that the bank chose to imitate practices of other firms from where they had recruited executives and from those firms that were highly prestigeous.

Other studies found *normative* pressures to influence the manner in which large U.S. firms adopted new accounting standards (Mezias 1990) and the multidivisional form (Palmer et al. 1993). Empirical support was also found for the claim that legal measures provide *coercive* pressure. Edelman (1992) showed that coercive employment equity laws made organizations change their structure and subsequently their practice even if organizations were quite influential in interpreting what it meant to comply. Sanders and Tuschke (2007) show the importance of coercive pressures for the spread of stock option pay in Germany. Not much work has been done on the interaction effects among these three mechanisms (Greenwood and Meyer, 2008)

Among the three institutional pressures, mimesis has received the most attention (Mizruchi and Fein 1999). One reason for this focus on mimetic pressures, as Mizruchi and Fein argue, is that

power perspectives are out of vogue among North American social scientists, which is perhaps why coercive and normative pressures have received less attention. Another plausible explanation is that mimesis is easier to investigate using the quantitative methods that are popular among many institutionalist researchers, than are questions of normative influence or the exercise of coercion. A third possible explanation is that normative and coercive processes receive attention in other theoretical traditions or in specific institutional literatures, such as European institutional schools (cf. Mizruchi and Fein, 1999).

Recent work points to the relationship between diffusing entities as another determinant of spread. Shipilov and colleagues (2010) suggest that diffusion occurs through "multiwave diffusion", meaning that an organization tends to adopt practices that are institutionally related to previously adopted practices. Extending this work, Meyer and Höllerer (2014) propose that diffusing entities travel in "bundles", which determine their institutional fate (see also Fiss, Davis and Kennedy 2012). They also show empirically that the diffusion and later loss in legitimacy of "shareholder value" influenced the subsequent diffusion of "corporate social responsibility" among Austrian companies (Meyer and Höllerer, 2016).

Empirical studies that invoke institutional isomorphism tend to elaborate on the mechanism by which practices spread, but rarely investigate the resulting level of isomorphism in the field. An exception is a meta-study by Heugens and Lander (2009) in which they test and find that organizational isomorphism results from coercive, normative and mimetic pressures. Another exception is a recent study on the early diffusion of robotic surgery in which Compagni, Mele, and Ravasi (2015) show that early experiences with the implementation of robotic surgery contributed to a field-

level outcome in the form of isomorphism (see also the earlier discussed study by Ashworth, Boyne and Delbridge 2007).

Similar to which institutional environment?

A central question with respect to isomorphism is what the relevant environment is to which organizations are thought to become (or not become) isomorphic? This is a question that is not often discussed, yet a broad dividing line can be drawn between empirical studies that conceptualize the institutional environment in terms of technical and goal-setting features, i.e. societal sectors (Scott and Meyer 1983), and studies that consider the environment to be a socially constructed field (DiMaggio and Powell 1983). The social sector approach differs from an organizational field perspective in the conceptualization of the institutional environment as external and exogenous to organizations. In social sector studies, it is the technical nature of the production task that determines the nature of the institutional environment, a factor that changes through technical development rather than through organizational action. Seeing the institutional environment as a field, in contrast, positions the institutional environment as a result of a structuration process that involves all field actors (Powell and DiMaggio 1991; Zucker 1987). A further difference is that the concept of institutional sectors is hierarchical in nature, with clear distinctions between horizontal and vertical ties (Scott and Meyer 1983), whereas the field essentially represents a relational non-topographical space that stems from its ideational roots within network theory (Mohr 2005). In this latter formulation, actors can occupy central or peripheral positions.

The perspective on the environment is important to our understanding of how institutional pressures can be thought to operate on organizations. An organizational sector approach, which broadly defines the relevant environment as input–output relations,

makes technological shifts important drivers of changes in institutional pressures. If, in contrast, the arena for institutional pressures is thought of as socially constructed by organizations, then the source of institutional pressures is instead endogenous to the organizations. Importantly, this theoretical divide between two perspectives on the nature of the institutional environment is seldom reflected in empirical studies (see, however, Scott 1987; Zucker 1987). Instead we see empirical definitions of "organizational fields" that are largely coterminous with the theoretical concept of societal sectors (for instance the typical "industry" definition of a field), which are then matched with DiMaggio and Powell's theoretical apparatus of isomorphism in a socially constructed field. Few empirical studies of institutional isomorphism embrace DiMaggio and Powell's constructionist definition of the organizational field as socially constituted. This conflation of societal sectors with organizational fields may be unproblematic, we do not know, but it points to a need for further theoretical and empirical work on the nature of organizational fields and how we define them in empirical studies.

A recent development in this area is the introduction of the community as an intermediate unit of analysis, nested between organizations and fields (for more detail, see chapter by Almondoz, Marquis and Tealy, this volume). In their empirical study of corporate social action, Marquis, Glynn and Davis (2007) found that the nature and level of corporate social action aligned around communities rather than around sectors or fields.

Similarity in a heterogeneous environment

The very idea of institutional isomorphism presupposes an institutional environment with which the organization can morph. A crucial question is how institutional isomorphism can occur where the institutional environment is not homogenous. This question is all

the more difficult to answer because of ambiguities in the original theoretical formulation of institutional isomorphism, in particular with respect to how the institutional environment (i.e. the organizational field) and its effects can be identified and delimited (cf. Mohr 2005).

Early studies of isomorphism in organizational fields conceptualized the organizational field as unitary and examined how institutional pressures affected organizations, presumably in an equal manner (Scott 2001). Tolbert and Zucker (1983), one of the earliest empirical studies of isomorphism, modified this proposal slightly by arguing that early adopters in a field are motivated by perceived efficiency gains whereas later adopters are driven primarily by the quest for legitimacy. Decades later, Kennedy and Fiss (2009) challenged their model in a study that showed both early adopters and late adopters to be motivated by anticipated gains in both efficiency and legitimacy. Common to these studies is a conceptualization of the organizational field as unitary at a given moment in time.

In more recent studies the field has increasingly become conceptualized as ambiguous and heterogeneous with multiple – often mutually incompatible - institutional pressures that result in conflicting pressures for conformity. Organizations may respond differently to this heterogeneity, which is often referred to as "institutional complexity" (Greenwood et al. 2011). Initial studies in this research stream found that institutional pressures interact with competitive pressures and space (D'Aunno, Succi and Alexander 2000; Dacin 1997) and vary over time (Dacin 1997; Ruef and Scott 1998). In a study of isomorphism in U.S. higher education, Kraatz and Zajac (1996) show that the increasing maturity of the field does not lead to homogeneity (isomorphism) in educational programs because of a simultaneous increase in competitive pressure to differentiate student programmes. Alvarez, Mazza, Strandgaard

Pedersen, and Svejenova (2005) came to a similar conclusion in their study of the heterogeneous field of European filmmaking, where creative directors pursued optimal distinctiveness in response to contradictory institutional pressures. The directors sought to differentiate themselves from others while maintaining legitimacy. These studies testify to organizations deliberately mobilizing multiple, simultaneous pressures for conformity to position themselves strategically within a heterogeneous field.

Recent studies also address the question of how organizations in a heterogeneous field come to respond differently to similar institutional pressures. One proposal relates to the structure of networks through which the "markers of similarity" travel, i.e. how entities diffuse. Greve (1996) studied the spread of new competitive strategies among radio stations and found that mimetic pressure led to practice polymorphism (islands of homogeneity) because imitation networks were geographically bounded in markets. Jonsson and Regnér (2009) also showed how diffusion could generate heterogeneity among firms in a competitive setting, but argued that it derived from differences in strength in professional collectives across firms. Similar findings are also reported in a number of empirical studies that investigate how initial practice variations developed into isomorphic patterns within bounded communities in the same heterogeneous field (Boxenbaum and Battilana 2005; Marquis et al. 2007; Schneiberg 2002). Practices may also provide an infrastructure for diffusion in the sense that previously adopted practices influence whether an organization adopts and implements a new diffusing practice (Shipilov et al. 2012; Meyer and Höllerer 2014).

Another proposal relating to how heterogeneity forms is that organizations are active agents that respond strategically, within certain boundaries, to institutional pressure (Ingram and Clay 2000). Oliver (1991) argued that organizations under certain

circumstances have leeway to act strategically in the face of institutional pressures. She proposed five strategic responses that are available to organizations that face institutional pressure to conform. The first one, acquiescence (conformity), is essentially the response that leads to isomorphism while the second one, compromise, can manifest as decoupling (Scott 2001). The third and fourth, avoidance and defiance are two forms of resistance that organizations display when they disagree with the objectives of the constituents who put pressure on them to adopt a new organizational element. Manipulation, the fifth response, is akin to institutional entrepreneurship in the sense that it implies a deliberate attempt to change institutions in a certain direction.

Oliver's theoretical argumentation has triggered a number of empirical studies that relate strategic considerations to isomorphism (see for instance Goodrick and Salancik 1996; Ingram and Simons 1995). The most prominent streams of literature on organizational responses to field heterogeneity are arguably institutional complexity (Greenwood et al., 2011) and hybrid organizing (see Battilana and Lee, 2014 and the chapter by Battilana and Besharov in this Handbook). Both literatures examine how organizations cope simultaneously with multiple institutional logics (see the chapter on institutional logics). In a study of competing logics in the field of health care, Reay and Hinings (2009) identified four generic mechanisms through which actors respond to the same institutional pressures for conformity. Along similar lines, Scherer, Palazzo and Seidl (2013) found that organizations employ multiple responses simultaneously to enhance their legitimacy, the most effective orientation being a paradoxical strategy. Pache and Santos (2013) pointed to the selective coupling of competing institutional logics as a viable legitimation strategy. In an in-depth empirical study, Dalpiaz, Rindova and Ravasi (2016) identified processes through which organizations combine disparate institutional logics to

generate new product and market opportunities at Alessi. Acknowledging that organizations in heterogeneous fields may respond simultaneously to disparate logics, and sometimes even combine them, Lepoutre and Valente (2012) found that organizations first need to distance themselves from any prevailing institutional logic that symbolically and/or materially prevents them from engaging with other logics.

A third account of heterogeneous responses to institutional pressures adopts a non-agentic perspective, in which institutions are conceptualized as "social facts". Heterogeneity results here from environmental contingencies, such as time, space and local competition, which introduce variation into organizational response even where the institutional pressures are similar and fully internalized (Beck and Walgenbach 2005; D'Aunno et al. 2000; Dacin 1997; 2009). Alternatively, organizations are simply not able to perfectly replicate an institutionally sanctioned structure or practice. That is the case even if institutional pressures have been internalized to such an extent that adoption of a structure or practice is perceived as self-evident and desirable. The implicit adaptation of a practice or structure to the local context has been broadly referred to as translation (see the chapter on translation).

The institutional effects of these different processes have received limited attention so far. One institutional effect that is gaining scholarly attention is the surge of hybrid organizations in society (see Battilana and Lee, 2014). Another such effect is the simultaneous institutionalization of multiple organizational practices, each informed by a different logic, within a heterogeneous organizational field (Purdy and Gray, 2009). While these lines of research are very promising, more work is needed to identify field-level effects of organizational responses to field heterogeneity.

How can we account for dissimilarity at early stages of diffusion?

In contrast to the theoretical assumption that diffusion equals isomorphism, empirical findings have revealed many instances of organizational dissimilarity even in mature organizational fields. Dissimilarity manifests not only in heterogeneous responses to institutional pressures (discussed in the previous section), but also during the introduction of innovative practices in a field. Their introduction may result in organizations becoming *less* similar, particularly if the new practices and ideas run counter to institutionalized norms. Such novel practices are often called *contested* practices. While contested practices are initially illegitimate, they also carry the potential to evolve into new institutions.

Over the last two decade a number of studies has investigated the diffusion of controversial, or counter-normative, practices (Ansari, Fiss and Kennedy 2010). Of interest is that counter-normative practices do not follow the predictions of DiMaggio and Powell (1983). As carriers of norms, professional groups have been shown to facilitate the organizational practice that accords with prevailing norms (Mezias 1990; Palmer et al 1993). When the practice in question runs counter to institutional norms, these professional groups may instead resist and defer practice adoption. Jonsson (2009) shows how mutual fund firms with a strong financial analyst collective were much slower than firms with a less influential analyst collective to adopt controversial product innovations such as social responsible investment funds and index funds. Similarly, Schneiberg (2013) shows that the absence of the Grange (social) movement in a U.S. state reduced the likelihood of the establishment of cooperatives, which was considered a counter-normative organizational form by incumbent firms. Furthermore, which earlier adopter becomes an important referent adopter may differ for a controversial practice and a non-controversial practice. Briscoe and Saffold (2008) show that it is not the adoption by a

"leader" (c.f. Haveman 1993) that triggers diffusion of a contested practice but the adoption by an earlier staunch opponent of the practice in question, as this adopter signals that the practice is not very contested any longer. Shipilov, Greve and Rowley (2010) show that adoption of a contested practice depends on earlier related practices, which testifies to the interrelatedness of diffusion trajectories. Sanders and Tuschke (2007) emphasize the participation of actors who have experience with contested practices and who are exposed to fields in which the innovation is legitimate. Rafaelli and Glynn (2014) demonstrate that relational networks also play an important role in facilitating the diffusion of contested practices (see also Fiss, Davis and Kennedy 2012). Even though contested practices may diffuse widely, argue Green, Li and Nohria (2009), they must become uncontested, through rhetorical devices, in order to become institutionalized.

Over the past decade, empirical work on contested practices has increased, while studies on isomorphism as an outcome has decreased. This development may reflect a growing emphasis on the early stages of institutionalization, the role of actors in institutionalization processes, and/or increased interest in field heterogeneity. It would be interesting to follow up on this development in empirical work with a meta-study that relates the dynamics of contestation at early stage of institutionalization to isomorphism as a potential outcome.

Decoupling

Does decoupling occur?

Several empirical studies have sought to confirm the existence of decoupling between the structure for action and the action of organizations. For instance, in a study of affirmative action policies in a small liberal arts college in the United States, Edelman, Abraham and Erlanger (1992) found that the affirmative action

officer exercised significant flexibility in the hiring process although there were policies issued that reflected affirmative action legislation. By means of decoupling, legitimacy was conferred upon the college while simultaneously attending to divergent concerns related to its teaching staff. Similarly, Brunsson and Olsen (1993) found that a radical reform at Swedish Rail was formally implemented without significant impact on daily operations. While management thought that the reform would result in near chaos, they discovered to their surprise that rail traffic and operational supervisors were virtually undisrupted by the reform. Decoupling made it easier for management to make decisions on reform since the operational departments collaborated more willingly as long as the reform did not affect their work in any significant way. Collectively, these studies provide empirical support for Meyer and Rowan's proposition that formal structure can be, and often is, decoupled from production activities. These findings leave unanswered questions, such as why and when decoupling occurs and what decoupling brings.

When do organizations decouple?

Just because organizations can decouple it does not mean that they always will do so. Institutional decoupling carries with it a risk of detection where it would no longer confer legitimacy, but probably shame, on the organization. So when do organizations decouple? Studies suggest that organizations decouple if they experience strong coercive pressure to implement a new practice (Seidman 1983), and more so if they distrust the actor that asserts pressure on them (Kostova and Roth 2002). Decoupling is also more frequent among organizations that do not fully believe in the efficacy of the practice in question. Investigating the introduction of long-term CEO compensation plans, Westphal and Zajac (1997) showed that late adopters of these CEO compensation, i.e. those firms that adopted

plans in response to institutional pressure rather than efficiency needs, were less likely than early adopters to actually implement these plans. This finding is corroborated by a study of how financial analysts initiate and abandon their coverage of firms (Rao, Greve and Davis 2001). In an exemplary case study, Turco (2012) shows how employees can refuse to engage in decoupling when it requires them to deviate too far from their professional role. Whereas belief in the efficacy of a practice may be a necessary condition for its implementation, it is apparently insufficient to prevent decoupling. An accepted practice may be unintentionally decoupled when the accompanying discourse is well established, hence increasing the likelihood that the practice will go unnoticed (Gondo and Amis, 2013: 242).

Even when subjected to similar institutional pressures, some organizations decouple while others do not. Investigating decoupling within and across subsidiary units of multinational corporations, Crilly, Zollo and Hansen (2012) show substantial variation in the likelihood of decoupling depending on the local environment as well as the internal environment of the multinational corporation. Internal power dynamics has been identified as an important variable that mediates the desire to decouple and the action of decoupling. In a longitudinal study of the response of large U.S. corporations to pressure from external sources to adopt stock repurchase programs, Westphal and Zajac (2001) found that decoupling occurred more frequently when top executives had power over boards to resist external pressure for change. Similarly, a survey of 302 senior financial executives showed they were less likely to decouple the company's ethics code from strategic decisions when they experienced strong pressure from market stakeholders like suppliers, customers or shareholders (Stevens, Steensma, Harrison and Cochran 2005). Marquis and Qian (2014) showed that companies are reluctant to decouple if

they have a close relationship with the government and if that relationship implies that decoupling behaviours may be monitored. Similarly, firms are less likely to decouple standards for good corporate governance if they depend on constituents that value highly these practices (Okhmatovski and David, 2016).

Finally, networks and coalitions also mediate the decoupling response. Westphal and Zajac (2001) found that top executives who had prior experience with decoupling or who had social ties to organizations that did, were more likely to engage in decoupling themselves. On the other side of the equation, Fiss and Zajac (2004) found that decoupling was least likely in companies where powerful and committed actors cared strongly about implementation and could influence the organizational response. Crilly et al. (2012) similarly found that external stakeholders mattered to the decoupling behaviour of MNC subsidiaries. Membership in social networks can also reduce decoupling as shown by Lounsbury (2001) in a study of recycling. These findings confirm our point above that the field in which institutional processes take place is an important space to theorize. It is not only the institutional pressures that an organization experience that are channelled through intra-field structures, but so is the freedom of the organization to partly resist by decoupling.

Relating to the original prediction that organizations require external trust (i.e. a "logic of good faith") to decouple, later work suggests that such faith can be actively sought by the decoupling organization. Brunsson (2002) argues that when an organization decouples action from structure, it can obfuscate this decoupling by "talk" – i.e. saying one thing while doing another – what Brunsson calls "organizational hypocrisy". Instances of such hypocrisy have been identified in later studies (see for example Lim and Tsutsui 2012). Similarly, a study by Fiss and Zajac (2006) concluded that organizations that do not actually implement structural changes are

those that most fervently proclaim their conformity to demands for strategic change, while Briscoe and Murphy (2012) show that organizations that decouple their espoused action from their real action actively seek to conceal this behaviour.

Decoupling as a response to field heterogeneity

In their initial formulations, Meyer and Rowan suggested that decoupling was a response to two organization-level problems: contradictions between institutionalized pressures with internal organizational efficiency and contradictions among multiple institutionalized pressures. Early studies focused primarily on decoupling as a response to safeguard organizational efficiency, whereas recent studies suggest that decoupling is a result of heterogeneous organizational fields with multiple and often contradictory pressures on the organization (cf. Heimer 1999; Ruef and Scott 1998). When faced with simultaneous contradictory pressures, organizations decouple to survive. Decoupling structure from practice can take multiple forms simultaneously. Brunsson (2002, see also George, Chattopadhyay and Sitkin 2006) suggests that organizations solve the dilemma of contradictory demands by meeting some demands by talk, others by decisions, and yet others by action. As an example, Aurini (2006) found that educational institutions routinely shed some of the most sacred schooling scripts, but flourished anyway because they responded to new pressures, such as consumer demands for individualized education programs. They decoupled some institutions to be able to implement others, recognizing that there were several ways to obtain legitimacy in this heterogeneous field. A study of the Danish Red Cross came to a similar conclusion, showing that the organization became more robust when it decoupled ideology and structure from concrete programs and activities (Christensen and Molin 1995). Decoupling thus turned out to be a safe-guarding

mechanism in a heterogeneous field, an attempt to compose with conflicting demands in a way that minimizes risk.

Later research has further embraced field heterogeneity in empirical studies. Recent studies show that decoupling is not a standardized process but, as predicted by early theoretical work, potentially idiosyncratic to the organization (Binder 2007; Tilcsik 2010) as well as to the specific context (Crilly et al. 2012). Faced with a perceived need to decouple structure from action, organizations respond in many different ways, regardless of whether or not they decide to decouple.

The outcomes of decoupling

In many cases the idea to decouple structure from action can be a useful strategy for organizations. In one of the first quantitative studies of decoupling, Westphal and Zajac (1998) found that the market price of corporations increased when they adopted a legitimate practice, regardless of actual implementation. There are, however, other possible outcomes from decoupling - some of which are less positive for the decoupling organization.

First, decoupling is often understood as pretence, i.e., by formalizing a structure, an organization pretends to do something that it does not actually do. It is however not always possible for an organization to sustain such a purely ceremonial adoption; what starts out as decoupling can over time turn into coupling between structure and action. Edelman's (1992) study of organizations that initially decoupled the Employment Equity and Affirmative Action Legislation revealed that the adopted structure eventually affected practice, leading to structural change that was implemented in organizational practice. Employees that were hired into the formal structure tried to fulfil their mandate even if it was meant to be entirely symbolic. They elaborated formal structures and created visible symbols of compliance in an effort to interpret what it meant

to comply. Decoupling may thus lead to full implementation because most individuals refuse to see themselves as only ceremonial props (Scott 2001).

The original formulation of decoupling pertained to internal organizational structures being decoupled from organizational practice. Yet institutional pressures can also manifest as demands for symbolic schemes that are supposed to shape organizational practice. A prime example of such symbolic schemes is ratings, rankings and certifications of different sorts that suggest a scheme for valuing different aspects of organizational work as being more or less important. A university ranking system, for instance, will define how important, in the determining of university "quality", is peer-reviewed publications are contra diversity of staff or dimensions of evaluation (Wedlin 2007).

Even these structures can be difficult to decouple over time. Investigating the narratives of corporate responsibility initiatives, Haack, Schoeneborn and Wickert (2012) show how what is initially mainly talk becomes embedded in the organization. Sauder and Espeland (2009) draw on Foucault's work to explain how law school members internalize law school rankings by changing the way that the members think about the field in which they are engaged. While rankings were initially understood as something that was acceptable to decouple, the internal acceptance of decoupling became less acceptable as the idea – or "discipline" - of rankings was internalized so that organizational members began to self-police its implementation.

Apart from the possibility that the decoupled structure and action can become coupled over time, organizations that decouple also set an internal precedence that may be harmful to its other operations. As Maclean and Behnam (2010) show, the decoupling of the internal compliance program from their actual sales practices created a "legitimacy façade" that allowed unsound sales practices

to flourish and consolidate within the organization. Since the compliance program had been rendered ineffectual through decoupling, these practices were not checked, which brought on a loss of external legitimacy when they became too widespread to be contained within the confines of the organization. The study points to the larger issue of decoupling enabling corporate wrongdoings and internal tolerance for breaking norms and rules.

These findings pose new interesting questions about whether or not decoupling is sustainable over time, and what its ultimate institutional consequences may be. It seems that an organizational image that is persistently inconsistent with how organizational members see themselves will eventually provoke a corrective action, which is one of the known drivers of organizational change related to identity change (Dutton and Dukerich 1991; Gioia, Patvardhan, Hamilton, and Corley, 2013). This dynamic points to a larger question, which is yet to be substantially addressed: where is decoupling really constituted? Is an organization engaged in decoupling if its members believe that they are implementing the action corresponding to the organizational structure, even if stakeholders do not agree? Conversely, is there decoupling if only the internal members believe it to be so?

An exciting new avenue of theorizing decoupling explores these kinds of questions; it suggests that the structure-action decoupling of Meyer and Rowan needs to be supplemented by a means-end decoupling (Bromley and Powell 2012). Their point is that an organization can set up a structure and implement it fully, yet leave the essentials of its operations untouched by decoupling the means and the ends of the action. They use the example of universities, where there is institutional pressure for transparency with respect to the quality of education and research. A university can the set up a structure to monitor "quality" and implement this fully, so that there is no structure-action decoupling. If, however,

the university is aware that this structure is a poor means to the end of measuring "quality", it qualifies as a decoupled system. They show how this form of decoupling works in the non-profit sector (Bromley, Hwang and Powell, 2013). Extending the work of Bromley and colleagues, Wijen (2014) argues that means-end decoupling is likely to occur in highly opague fields, even – and particularly so – when actors engage in substantial compliance. The reason for this paradoxical situation, he argues, is that the rigid rules associated with substantial compliance with the means block for the flexibility that is required to achieve the intended outcomes (i.e., the end) in highly opaque fields.

DISCUSSION – CAUSAL RELATIONSHIPS

Our review of empirical studies on isomorphism and decoupling revealed that some aspects of the initial theory formulations have received empirical verification while others have been refined or qualified. The past decades of empirical research have consolidated and sharpened the sometimes initially vague formulations of institutional theory, but there are also important aspects that have escaped scrutiny altogether. Most striking is the limited research attention that has gone into confirming some of the core causal relationships of institutional theory. A number of empirical studies have in a piecemeal manner investigated theoretical concepts and mechanisms without questioning or verifying whether these generate the theorized outcomes. One case in point is that empirical examinations of institutional isomorphism and decoupling have largely developed along separate lines of inquiry, even though these concepts are tightly coupled theoretically. Somewhat simplistically, inquiries associated with institutional isomorphism have explored the external consequences of institutional pressures, i.e. organizational similarity, whereas decoupling research has investigated how organizations deal internally with institutional

pressure for conformity. An exception to this pattern is a study by Åberg (2013), which found that organizations sometimes engage in decoupling in order to respond strategically to conflicting pressures for conformity in a heterogeneous field. In another study, Oh and Jackson (2011) found that isomorphism and decoupling co-existed in relation to the South Korean practice of eating dog meat, a co-existence they call 'tactful resistance'. A third study argues that isomorphism is more likely to occur in relatively uniform fields, whereas decoupling increases in heterogeneous fields (Rodrigues and Craig, 2007). These empirical advancements are promising, but much remains to be studied in the interaction dynamics between decoupling and isomorphism, including the conditions under which they occur and the institutional effects they produce.

The relative neglect of how decoupling and isomorphism relate to each other weakens the theory and should be addressed. This poorly developed causal relationship may well contribute to widening the scope of institutional theory. Instead of focusing on how core concepts relate to each other, researchers tend to extend and enrich each separate line of inquiry. This widening accelerates further when empirical studies investigate only one level of analysis at a time. The organizational level of analysis is most common in decoupling studies whereas isomorphism and diffusion studies are more likely to use the field as the only level of analysis. Naturally, the relationship between isomorphism and decoupling would be easier to study if more empirical studies used a multi-level approach (cf. Schneiberg and Soule 2005). Perhaps the first step is to theoretically formulate how isomorphism and decoupling relate to one another in light of the initial theory formulations and the past decades of empirical research. The variables that predict decoupling in empirical studies may inform this research agenda, just as can recent insight into how organizations respond to institutional pressures in heterogeneous fields.

The causal relationship between decoupling and isomorphism is not the only one in need of development. There are other ambiguous causal relationships *within* each line of inquiry that also merit careful attention in the future, a topic to which we now turn.

Isomorphism

Although institutional isomorphism has attracted much research attention, a number of causal relationships have not received the careful empirical attention that they deserve. First, there is the relationship between isomorphism and diffusion. There is a natural empirical affinity between isomorphism and diffusion, but this empirical affinity can be theoretically treacherous (Colyvas and Jonsson 2011). As mentioned earlier, the majority of the studies that invoke the concept of institutional isomorphism has treated the diffusion of a particular practice or structure as the outcome variable of interest, under the implicit assumption that diffusion leads to isomorphism. A research strategy that substitutes the process of diffusion for the outcome of isomorphism provides at best a limited test of institutional isomorphism. Moreover, as others have pointed out, the outcome of similarity may also be explained by competing theoretical frameworks, particularly resource dependence theory (Scott 1987; Zucker 1987). It is important to the theoretical development of institutional theory that the relationship between diffusion and isomorphism be sharpened significantly, both theoretically and empirically.

A closely related point is that the causal relationship between isomorphism and legitimacy also needs better articulation. Organizations are supposedly driven by a quest for legitimacy when they acquiesce to institutional pressures for conformity. Citing Meyer and Rowan (1977), DiMaggio and Powell (1983) explained: "As an innovation spreads, a threshold is reached beyond which adoption provides legitimacy rather than improves performance".

Institutional isomorphism presupposes that legitimacy is the driving force behind the organizational adoption of an extensively diffused innovation (cf. Meyer and Rowan 1977; Tolbert & Zucker 1983). In support of this claim, Freitas and Guimarães (2007) found in their study of operational auditing a mutually reinforcing mechanism involving cognitive legitimacy and isomorphism. Yet the diffusion of innovations may also occur without any legitimacy-seeking behaviour (Rossman 2014). For instance, organizations may replace an existing structure with another one if they receive a substantial state subsidy to do so. They are neither forced, uncertain, or under any moral obligation to do so, they simply see an opportunity to control costs, and it leads to isomorphism. Although many organizations may adopt this structure, it is far-fetched to argue that their adoption is an example of institutional isomorphism when it is not driven by legitimacy concerns. Essentially, not everything that diffuses enhances organizational legitimacy. Nor does the widespread diffusion of an innovation necessarily lead to its institutionalization (Colyvas and Jonsson 2011).

Relatedly, the causal relationship between diffusion and institutionalization could benefit from more clarification. In the widely popular "two-stage model" suggested by Tolbert and Zucker (1983), diffusion is assumed to *lead to* institutionalization (see Greenwood and Meyer, 2008, p. 262 for a similar point relating to common interpretations of DiMaggio and Powell, 1983). This finding subsequently became established within institutional theory as the "two-stage model" of institutionalization, which suggests that a practice is introduced as the result of an efficiency search, and then, as it is adopted by others over time, it becomes institutionalized and adoption efficiency ceases to predict further spread (see for instance Westphal, Gulati and Shortell 1997). However, as pointed out by Scott (1995), a sharp increase in the rate by which an innovation is adopted need not reflect more institutionalization.

Only if the innovation is adopted for legitimacy reasons and begins to be taken for granted within the field does it make sense to talk about diffusion leading to institutionalization (Fiss, Kennedy & Davis, 2012). Without this crucial element, the two-stage model of institutionalization closely resembles the standard two-stage diffusion model from the 1950s (Katz, Levin and Hamilton 1963), the main difference being that the contagion phase is renamed institutionalization phase. An important point is that there are plausible alternative explanations to the second stage in the diffusion phase, such as social-level learning (Levitt and March 1988) or other general "bandwagon" processes (Abrahamson and Rosenkopf 1993). To convincingly demonstrate that a practice that diffuses quickly is becoming institutionalized would require empirical research to use other indicators of institutionalization than a simple increase in the number of adopters (Schneiberg and Clemens 2006; Fiss et al., 2012). Such indicators can be methodologically challenging to identify. It should be shown that adoption is associated with changing norms, collective beliefs or laws, and studies should identify the conditions under which diffusion is causally related to institutionalization.

Future research should also address the relationship between isomorphism and field heterogeneity. The growing recognition of heterogeneity in the institutional environment calls for reflection on how isomorphism fits with the core claims of institutional theory. If organizations become isomorphic with the total complexity of their institutional environment as some studies suggest (Goodrick and Salancik 1996; Heimer 1999), then the notion of isomorphism resonates with predictions of "requisite variety" in early population ecology and systems-oriented theories (Scott 2004). This possibility prompts the provocative (and evocative) question of whether institutional isomorphism still has a place as a distinct theoretical and empirical concept (cf. Kraatz and Zajac 1996) under conditions

of field heterogeneity. We think it does, but institutionalists need to sharpen core concepts and core causal relationships to avoid that institutional theory becomes an ambiguous umbrella-term for assorted organization theory. There is currently a tendency for institutional theory to expand into dimensions of organizational life that have traditionally been associated with other theories. While such expansion has enriched institutional theory by making it more comprehensive, it also draws attention away from clarifying core causal relationships, such as those among isomorphism, diffusion, legitimacy, and institutionalization, all of which need to be strengthened significantly. Herein lies an important challenge for future theoretical and empirical research, one that we think should take precedence over expansion of the scope of institutional theory.

Decoupling

Although there is less empirical research on decoupling than there is on institutional isomorphism, institutional pressures, and diffusion, we have seen a surge in attention to decoupling in recent years. There is reason to believe that this trend will continue as institutionalists pay increasing attention to organizational and individual factors in the processes of institutionalization and deinstitutionalization. Decoupling research may reveal the seeds of an endogenous model of institutional change, but first the notion of decoupling needs clarification and better articulation with isomorphism.

Meyer and Rowan (1977) defined decoupling as a deliberate disconnection between organizational structures that enhance legitimacy and organizational practices that are believed within the organization to be technically efficient. Some empirical studies have interpreted structure to include organizational elements such as programs, policies, images and decisions. In so doing they came very close to confounding decoupling with the more general notion

of "loose coupling" (cf. Weick 1979). The theoretical idea of organizations as loosely coupled systems is more comprehensive in scope than the idea of decoupling in institutional theory. Studies that examine weak links between changing organizational practice and organizational decision making (e.g. Child, 1972) are thus better characterized as studies of loose coupling than of institutional decoupling. Studies of decoupling need to be distinguishable from studies of loosely coupled organizations in similar manner to the need for empirical studies of institutional isomorphism to be distinguishable from diffusion studies.

The causal relationship on decoupling that has received most attention so far are the variables that predict or mediate the act of decoupling. As our review revealed, some organizational variables have already been identified; they include perceived advantages of decoupling, internal power dynamics, concerns about the organizational image, and unintentional effects of discursively legitimizing a practice. In addition, empirical research has identified inter-organizational variables such as external network formations and the power of external stakeholders. We think more attention should be devoted to investigating the interaction among the already identified variables that seem to predict or mediate institutional decoupling, though it may also prove fruitful to consider other organizational or inter-organizational variables. The unintended effects of decoupling, such as whether it affects morale and fosters cynicism within the organization, certainly merit attention as well. Furthermore, if organizations actively decouple to avoid being evaluated, entire groups of (isomorphic) organizations collectively embrace opaqueness in structure and actions. Such a broad prediction would be interesting to verify empirically, perhaps also to contrast with recent movements toward greater transparency and accountability, not least in public management. As there has been virtually no scholarly attention paid to the field-level

consequences of decoupling, this is an area of research that should be particularly fruitful.

Some field-level variables also seem to influence the likelihood of decoupling, though the pattern is still obscure. Late adopters seem more likely to engage in decoupling than do early adopters, but why is this the case? Perhaps organizational or individual variables explain this pattern, perhaps power relations within a field influence the likelihood of decoupling. Is there a "middle-status conformity" situation (Philips and Zuckerman 2001) or does a central position in the field make it more illegitimate for an organization to engage in decoupling? Or is decoupling directly correlated with isomorphism in such a way that decoupling becomes more common once isomorphism gains in prevalence? As mentioned previously, attention to the causal relationship between isomorphism and decoupling has been almost entirely neglected so far and should be given priority in future research.

Methodological considerations

In calling for more empirical studies of core causal relationships, we advocate more attention to the role of the observer. Isomorphism could be seen as an illusory effect of particular research strategies that create distance between the observer and the phenomenon. For instance, when researchers use archival data to study institutional change over a period of several decades, they are more likely to see something that looks like isomorphism than if they had collected observational data in a contemporary organization. In other words, the further distanced the observer is, in terms of abstracting or simplifying the object under study, the more isomorphism there will seem to be (Forssell and Jansson 2000). This stance would explain the observation that the clearest evidence of isomorphism is found within the world systems literature, where the unit of analysis is highly aggregated.

In contrast, case-based research provides excellent evidence for the variation in organizational response to institutional pressures (see Djelic and Quack 2003; Sahlin-Andersson and Engwall 2003). For instance, a historical analysis of Copenhagen Business School showed that the organization gradually absorbed elements of different myths from its institutional environment, which resulted in an organization that embodies five different models that are loosely coupled to one another (Borum and Westenholz, 1995). What appears as decoupling may simply be a multi-faceted organization that has conformed to changing institutional pressures over a long period of time while not fully discarding the old institutional elements. The role of time in how organizations cope with institutional pressures is an interesting topic that is beginning to gain traction.

The role of the observer is also reflected in the interpretive approach to institutionalist inquiry. According to interpretivism, practice is always mediated by an interpreter - whether the interpreter is the object of study or the researcher conducting the study. As for the former, Alvarez and colleagues (2005) showed that maverick film directors relied on their own strategic interpretations when they decided to differentiate themselves from other film directors in the organizational field of film-making. Similarly, key players in the organizational field of Danish hospitals strategically reinterpreted the same institutionalized belief to fit their own political preferences (Borum 2004). In yet another study, actors interpreted the imported practice of diversity management in a way that deliberately reflected local institutions and established organizational practices (Boxenbaum, 2006). This interpretivist orientation is reflected in the notion of institutional entrepreneurship (Battilana, Leca and Boxenbaum, 2009).

The act of interpretation is not always conscious and strategic, but is often implicitly governed by institutionalized beliefs and

norms. A study on school-teachers in California showed, for instance, that teachers' pre-existing beliefs and practices implicitly mediated the nature of the message that they delivered in the classroom (Coburn 2004). A less strategic approach to interpretation is evident in the literature on translation, which posits that ideas and practices undergo change every time they are applied in a new organizational context (Czarniawska and Joerges 1996; Sahlin-Andersson 1996). These interpretive studies suggest that decoupling is an act of interpretation that is shaped by contextual and institutionalized factors. This line of inquiry has expanded in recent years in response to increased interest in how organizations and individuals respond to institutional pressures.

CONCLUSION

This chapter presented the theoretical formulations of isomorphism and decoupling and carefully reviewed the empirical research that has been conducted on these two central theoretical concepts in institutional theory. These are central concepts because they set institutional theory apart from other organization theories. Isomorphism plays an important role in organization theory as an alternative to efficiency-based explanations of organizational change (Scott 1987; Zucker 1987), and decoupling provides an explanation for why organizations seem to be constantly reforming (Brunsson and Olsen 1993). In a more general sense, these two concepts have also moved structuralist and cultural-symbolical understandings of organization closer to one another (Lounsbury and Ventresca 2003; Scott 2001).

The first contribution of this chapter was to delineate how empirical studies have carved out the initial formulations of isomorphism and decoupling respectively. A related contribution was to highlight some ambiguous causal relationships that pertain to theories of isomorphism and decoupling and that merit careful

attention in future research. Disproportionate attention has been devoted to studying the relationship between institutional pressure and diffusion, to the neglect of the associated outcomes of decoupling and/or isomorphism. Consequently, some of the causal relationships that define institutional theory have largely escaped empirical inquiry. This limitation weakens institutional theory and restricts its extension into other levels of analysis that carry with them new independent and intervening variables. The greatest risk, as we see it, is that institutionalism becomes a catch-all phrase for various organization theories. Institutionalists put the explanatory power of institutional theory at risk if they do not prioritize to validate and substantiate the core claims of institutional theory before adding new layers of complexity to its core claims.

An interesting discovery was that surprisingly little attention has been devoted to examining how isomorphism and decoupling interact with each other. Organizations supposedly adopt new organizational structures to enhance their legitimacy, and then decouple these same structures from their practices to maintain technical efficiency in a competitive quest for survival. We see real potential in combining and juxtaposing what we know about isomorphism and decoupling to develop a stronger and more dynamic theory of institutions. As we noted in our review, many interesting questions have never been asked. For instance, does decoupling become more frequent when a field becomes more isomorphic or mature? Perhaps the possibility of decoupling is crucial for obtaining a high level of isomorphism in an organization field. It is certainly possible that such insights could provide answers to the vexing question of how best to measure isomorphism. It may also open an intriguing avenue for studying endogenous institutional change processes without resorting to methodological individualism.

Another finding of this review of empirical studies is the conflation between institutional studies and diffusion studies. We noted that there is a close but complicated relation between diffusion (i.e. the spread of things) and isomorphism. In many cases diffusion is a prerequisite for isomorphism, but diffusion need not always lead to isomorphism; conversely all that looks similar need not be the result of diffusion (cf. Zucker 1987). Isomorphism and diffusion have often been conflated in empirical studies where the spread of something is treated as an outcome synonymous with isomorphism. It is commonplace to contrast mimetic institutional pressure with efficiency and/or resource dependence theory as an explanation for the spread of a particular form or practice (see for instance the well-cited studies of Fligstein 1985; Haveman 1993; Palmer et al. 1993). The conflation of institutionalism and diffusion is unfortunate because diffusion studies include a larger set of phenomena where practices are not necessarily adopted for legitimacy gains and do not necessarily lead to institutionalization. In contrast, legitimacy is central to the kind of diffusion that pertains to institutionalism, whether the outcome is isomorphism or decoupling. We thus argue that the relationship between institutionalism and diffusion needs more careful empirical and theoretical parsing.

A final topic that is worth noting is the growing recognition that institutional environments are heterogeneous, just as are organizational responses to institutional pressure. This trend makes for a lot of heterogeneity, possibly more than the theory can sustain. While there are a number of good studies that argue for the importance of heterogeneity in institutional analysis, we find little work that steps back from this argument and consider the theoretical implications of acknowledging heterogeneity at various levels. One question that arises is what will happen to studies of organizational fields as the analytical lens expands simultaneously

"down" to individuals and "up" to institutional logics. Will the organizational field level become depopulated, or will other research communities migrate to this area of inquiry and take on the challenging task of clarifying the link between different levels of analysis?

A related fundamental question is whether isomorphism is a useful and distinct theoretical concept if we believe in a world of fragmented institutional environments. For instance, is institutional isomorphism a more useful concept than that of "requisite variety" that was proposed in the 1960s? If this question is answered in the negative, then we need to reflect upon how important the theoretical concept of isomorphism is to institutional theory. Conversely, would the notion of legitimacy still have meaning and be sufficiently distinct without the assumption of some form of homogeneity in the organizational field?

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