Institutionalized organizations: formal structure as myth

Literature, Mythology

Institutionalized Organizations: Formal Structure as Myth and Ceremonyl John W. Meyer and Brian Rowan Stanford University Many formal organizational structures arise as reflections of rationalized institutional rules. The elaboration of such rules in modern states and societies accounts in part for the expansion and increased complexity of formal organizational structures. Institutional rules function as myths which organizationsincorporate, gaining legitimacy, resources, stability, and enhanced survival prospects.

Organizations whose structures become isomorphic with the myths of the institutionalenvironment-in contrast with those primarily structured by the

demands of technical production and exchange-decrease internal coordination and control in order to maintain legitimacy. Structures are decoupled from each other and from ongoing activities. In place of coordination, inspection, and evaluation, a logic of confidence and good faith is employed. Formal organizationsare generally understood to be systems of coordinated and controlled activities that arise when work is embedded in complex networks of technical relations and boundary-pningexchanges.

But in modern societies formal organizational structures arise in highly institutionalized contexts. Professions, policies, and programs are created along with the products and services that they are understoodto producerationally. This permits many new organizations to spring up and forces existing ones to incorporatenew practices and procedures. That is, organizationsare driven to incorporate the practices and procedures defined by prevailing rationalizedconcepts of organizationalwork and institutionalized in society.

Organizationsthat do so increase their legitimacy and their survival prospects, independent of the immediate efficacy of the acquired practices and procedures. Institutionalized products, services, techniques, policies, and programs function as powerful myths, and many organizations adopt them ceremonially. But conformity to institutionalized rules often conflicts sharply 1 Work on this paper was conducted at the Stanford Center for Research and Development in Teaching (SCRDT) and was supported by the National Institute ofEducation(contract no. NE-C-00-3-0062). The views expressed here do not, of course, reflect NIE positions.

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To maintain ceremonial conformity, organizationsthat reflect institutional rules tend to buffer their formal structures from the uncertainties of technical activities by becoming loosely coupled, building gaps between their formal structures and actual work activities. This paper argues that the formal structures of many organizations in postindustrial society (Bell 1973) dramatically reflect the myths of their institutional environments instead of the demands of their work activities.

The first part describesprevailing theories of the origins of formal structures and the main problem the theories confront. The second part discusses an alternative source of formal structures: myths embeddedin the institutional environment. The third part develops the argument that organizations reflecting institutionalized environments maintain gaps between their formal structures and their ongoing work activities. The final part summarizes by discussing some researchimplications. Throughout the paper,

institutionalized rules are distinguished sharply from prevailing social behaviors.

Institutionalized rules are classifications built into society as reciprocated typifications or interpretations (Berger and Luckmann 1967, p. 54). Such rules may be simply taken for granted or may be supported by public opinion or the force of law (Starbuck 1976). Institutions inevitably involve normative obligations but often enter into social life primarily as facts which must be taken into account by actors. Institutionalization involves the processesby which social processes, obligations, or actualities come to take on a rulelike status in social thought and action.

So, for example, the social status ofdoctoris a highly institutionalized rule (both normative and cognitive) for managing illness as well as a social role made up of particular behaviors, relations, and expectations. Research and development is an institutionalized category of organizationalactivity which has meaning and value in many sectors of society, as well as a collection of actual research and development activities. In a smaller way, a NoSmokingsign is an institution with legal status and implications, as well as an attempt to regulate smoking behavior.

It is fundamental to the argument of this paper that institutional rules may have effects on organizational structures and their implementationin actual technical work which are very different from the effects generated by the networks of social behavior and relationshipswhich compose and surrounda given organization. PREVAILING THEORIES OF FORMAL STRUCTURE A sharp

distinction should be made between the formal structure of an organization and its actual day-to-day work activities. Formal structure is 341

American Journal of Sociology a blueprint for activities which includes, first of all, the table of organization: a listing of offices, departments, positions, and programs. These elements are linked by explicitgoalsand policies that make up a rational theory of how, and to what end, activities are to be fitted together. The essence of a modern bureaucratic organization lies in the rationalized and impersonal character of these structural elements and of the goals that link them.

One of the central problems in organization theory is to describe the conditions that give rise to rationalized formal structure. -In conventional theories, rational formal structure is assumed to be the most effective way to coordinate and control the complex relational networks involved in modern technical or work activities (see Scott 1975 for a review). This assumption derives from Weber's (1930, 1946, 1947) discussions of the historical emergence of bureaucraciesas consequencesof economic markets and centralized states. Economic markets place a premium on rationality and coordination.

As markets expand, the relational networks in a given domain become more complex and differentiated, and organizationsin that domain must manage more internal and boundary-pning interdependencies. Such factors as size (Blau 1970) and technology (Woodward 1965) increasethe complexity of internal relations, and the division of labor among p organizationsincreasesboundary-pning roblems (Aiken and Hage 1968;

Freeman 1973; Thompson 1967). Because the need for coordinationincreases under these conditions, and because formally coordinated work has competitive advantages, organizations with rationalized formal structures tend to develop.

The formation of centralized states and the penetration of societies by political centers also contribute to the rise and spreadof formal organization. When the relational networks involved in economic exchange and political managementbecome extremely complex, bureaucraticstructuresare thought to be the most effective and rational means to standardize and control subunits. Bureaucratic control is especially useful for expanding political centers, and standardizationis often demanded by both centers and peripheral units (Bendix 1964, 1968).

Political centers organize layers of offices that manage to extend conformity and to displace traditional activities throughout societies. a The problem. revailingtheoriesassumethatthe coordination nd controlof P h activityare the criticaldimensionson whichformal organizations avesucceeded in the modern world. This assumption is based on the view that organizations function according to their formal blueprints: coordination is routine, rules and proceduresare followed, and actual activities conform to the prescriptions of formal structure. But much of the empirical research on organizations casts doubt on this assumption.

An earlier generation of researchers concluded that there was a great gap between the formal and the informal organization (e. g. , Dalton 1959; Downs 1967; Homans 1950). A related 342 Formal Structure as Myth and

Ceremonyobservationis that formal organizations are often loosely coupled (March and Olsen 1976; Weick 1976): structural elements are only loosely linked to each other and to activities, rules are often violated, decisions are often unimplemented, or if implemented have uncertain consequences, technologies are of problematic efficiency, and evaluation and inspection systems are ubverted or renderedso vague as to provide little coordination. Formal organizations are endemic in modern societies. There is need for an explanation of their rise that is partially free from the assumption that, in practice, formal structures actually coordinate and control work. Such an explanation should account for the elaboration of purposes, positions, policies, and procedural rules that characterizes formal organizations, but must do so without supposingthat these structuralfeatures are implemented in routine work activity. INSTITUTIONAL SOURCES OF FORMAL STRUCTURE

By focusing on the management of complex relational networks and the exercise of coordination and control, prevailing theories have neglected an alternative Weberian source of formal structure: the legitimacy of rationalized formal structures. In prevailing theories, legitimacy is a given: assertions about bureaucratization rest on the assumption of norms of rationality (Thompson 1967). When norms do play causal roles in theories of bureaucratization, it is because they are thought to be built into modern societies and personalities as very general values, which are thought to facilitate formal organization.

But norms of rationality are not simply general values. They exist in much more specific and powerful ways in the rules, understandings, and meanings

attached to institutionalized social structures. The causal importance of such institutions in the process of bureaucratizationhas been neglected. Formalstructures are not only creaturesof their relationalnetworksin the social organization. In modern societies, the elements of rationalizedformal structure are deeply ingrained in, and reflect, widespreadunderstandingsof social reality.

Many of the positions, policies, programs, and proceduresof modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts. Such elements of formal structure are manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations. In modern societies, the myths generatingformal organizationalstructure have two key properties.

First, they are rationalized and impersonal prescriptions that identify various social purposes as technical ones and specify in a rulelike way the appropriatemeans to pursue these technical purposes 343 American Journal of Sociology rationally (Ellul 1964). Second, they are highly institutionalized and thus in some measure beyond the discretion of any individual participant or organization. They must, therefore, be taken for granted as legitimate, apart from evaluations of their impact on work outcomes. Many elements of formal structure are highly institutionalized and function as myths.

Examplesincludeprofessions, programs, and technologies: Large numbers of rationalized professions emerge (Wilensky 1965; Bell 1973). These are occupations controlled, not only by direct inspection of work outcomes but also by social rules of licensing, certifying, and schooling. The occupations are rationalized, being understood to control impersonal techniques rather than moral mysteries. Further, they are highly institutionalized: the delegation of activities to the appropriate occupations is socially expected and often legally obligatory over and above any calculations of its efficiency.

Many formalized organizational programs are also institutionalized in society. Ideologies define the functions appropriateto a business-such as sales, production, advertising, or accounting; to a university-such as instruction and research in history, engineering, and literature; and to a hospital-such as surgery, internal medicine, and obstetrics. Such classifications of organizational functions, and the specifications for conducting each function, are prefabricated formulae available for use by any given organization. Similarly, technologies are institutionalized and become myths binding on organizations.

Technical procedures of production, accounting, personnel selection, or data processing become taken-for-granted means to accomplish organizational ends. Quite apart from their possible efficiency, such institutionalized techniques establish an organization as appropriate, rational, and modern. Their use displaysresponsibilityand avoids claims of negligence. The impact of such rationalized institutional elements on organizations and organizing

situations is enormous. These rules define new organizing situations, redefineexisting ones, and specify the means for coping rationally with each.

They enable, and often require, participants to organize along prescribedlines. And they spread very rapidly in modern society as part of the rise of postindustrial society (Bell 1973). New and extant domains of activity are codifiedin institutionalizedprograms, professions, or techniques, and organizationsincorporatethe packaged codes. For example: The discipline ofpsychologycreates a rationalized theory of personnel selection and certifies personnel professionals. Personnel departments and functionaries appear in all sorts of extant organizations, and new specialized personnel agencies also appear.

As programs of research and development are created and professionals with expertise in these fields are trained and defined, organizations come under increasing pressure to incorporate R & D units. As the prerational profession of prostitution is rationalized along medical lines, bureaucratized organizations-sex-therapy clinics, massage parlors, and the like-spring up more easily. As the issues of safety and environmentalpollutionarise, and as relevant 344 Formal Structure as Myth and Ceremony i a b professions nd programs ecomeinstitutionalizedn laws, unionideologies, t nd public opinion, organizationsncorporate hese programsand profesi sions. The growth of rationalized institutional structures in society makes formal organizations more common and more elaborate. Such institutions are myths which make formal organizationsboth easier to create and more necessary. After all, the building blocks for organizationscome to be littered around the societal

landscape; it takes only a little entrepreneurialenergy to assemble them into a structure. And because these building blocks are considered proper, adequate, rational, and necessary, organizations must incorporate them to avoid illegitimacy.

Thus, the myths built into rationalized institutional elements create the necessity, the opportunity, and the impulse to organize rationally, over and above pressures in this direction created by the need to manage proximate relational networks: Proposition 1. As rationalizedinstitutionalrules arise in given domains of f work activity, formal organizations orm and expand by incorporatingthese rules as structuralelements. Two distinct ideas are implied here: (1A) As institutionalized myths define new domains of rationalized activity, formal organizationsemerge in these domains. iB) As rationalizing institutional myths arise in existing domains of activity, extant organizationsexpand their formal structures so as to become isomorphicwith these new myths. To understandthe largerhistorical process it is useful to note that: Proposition 2. The more modernizedthe society, the more extendedthe i rationalizedinstitutionalstructure n given domainsand the greaterthe number of domainscontainingrationalizedinstitutions. Modern institutions, then, are thoroughly rationalized, and these rationalized elements act as myths giving rise to more formal organization.

When propositions 1 and 2 are combined, two more specific ideas follow: (2A) Formalorganizationsare more likely to emergein more modernizedsocieties, even with the complexity of immediate relational networks held constant. (2B) Formal organizationsin a given domain of

activity are likely to have more elaborated structures in more modernized societies, even with the complexity of immediate relational networks held constant. Combiningthe ideas above with prevailingorganizationtheory, it becomes clear that modern societies are filled with rationalizedbureaucraciesfor two reasons. First, as the prevailing theories have asserted, relational etworks become increasingly complex as societies modernize. Second, modern societies are filled with institutional rules which function as myths depicting various formal structures as rational means to the attainment of desirable ends. Figure 1 summarizes these two lines of theory. Both lines suggest that the postindustrial society-the society dominated by rational organization even more than by the forces of production-arises both out of the 345 American Journal of Sociology The prevalence of rationalized institutional elements The presence and elaboration of formal organizational structures Societal Societal odernization The complexity of networks of social organization and exchange FIG. 1. -The origins and elaboration of formal organizational structures complexity of the modern social organizationalnetwork and, more directly, as an ideologicalmatter. Once institutionalized, rationality becomes a myth with explosive organizingpotential, as both Ellul (1964) and Bell (1973)though with rather different reactions-observe. The Relation of Organizationsto Their Institutional Environments The observationis not new that organizationsare structuredby phenomena in their environments and tend to become isomorphic with them.

One explanation of such isomorphism is that formal organizations become matched with their environmentsby technical and exchange

interdependencies. This line of reasoning can be seen in the works of Aiken and Hage (1968), Hawley (1968), and Thompson (1967). This explanation asserts that structural elements diffuse because environments create boundary-pning exigencies for organizations, and that organizations which incorporate structural elements isomorphic with the environment are able to manage such interdependencies.

A second explanation for the parallelismbetween organizations and their environments-and the one emphasized here-is that organizations structurally reflect socially constructed reality (Berger and Luckmann 1967). This view is suggested in the work of Parsons (1956) and Udy (1970), who see organizations as greatly conditioned by their general institutional environments and therefore as institutions themselves in part. Emery and Trist (1965) also see organizations as responding directly to environmental structuresand distinguishsuch effects sharply from those that occur through boundary-pningexchanges.

According to the institutional conception as developed here, organizations tend to disappear as distinct and bounded units. Quite beyond the environmental interrelations suggested in opensystems theories, institutional theories in their extreme forms define organizations as dramatic enactments of the rationalizedmyths pervading modern societies, rather than as units involved in exchange-no matter how complex-with their environments. 346 Formal Structure as Myth and Ceremony The two explanations of environmental isomorphism are not entirely inconsistent.

Organizations both deal with their environments at their boundariesand imitate environmentalelements in their structures. However, the two lines of explanation have very different implications for internal organizationalprocesses, as will be argued below. The Origins of Rational Institutional Myths Bureaucratization is caused in part by the proliferation of rationalized myths in society, and this in turn involves the evolution of the whole modern institutional system. Although the latter topic is beyond the scope of this paper, three specific processes that generate rationalizedmyths of organizational structure can be noted.

The elaboration f complexrelationalnetworks. -As the relational networks o in societies become dense and interconnected, increasing numbers of rationalized myths arise. Some of them are highly generalized: for example, the principlesof universalism (Parsons 1971), contracts (Spencer 1897), restitution (Durkheim 1933), and expertise (Weber 1947) are generalizedto diverse occupations, organizational programs, and organizational practices. Other myths describespecificstructuralelements. These myths may originatefrom narrow contexts and be applied in different ones.

For example, in modern societies the relational contexts of business organizationsin a single industry are roughly similarfrom place to place. Under these conditions a particularly effective practice, occupationalspecialty, or principle of coordinationcan be codified into mythlike form. The laws, the educational and credentialing systems, and public opinion then make it necessary or advantageous for organizationsto incorporatethe new structures. The degree of collective organization of the

environment. The myths generated by particular organizational practices and diffused through relational networks have legitimacy based on the supposition that they are rationally effective. But many myths also have official legitimacy based on legal mandates. Societies that, through nation building and state formation, have developed rational-legal orders are especially prone to give collective (legal) authority to institutions which legitimate particular organizational structures. The rise of centralized states and integrated nations means that organized agents of society assume jurisdiction over large numbers of activity domains (Swanson 1971).

Legislative and judicial authorities create and interpret legal mandates; administrative agencies-such as state and federal governments, port authorities, and school districts-establish rules of practice; and licenses and credentials become necessary in order to practice occupations. The stronger the rational-legal order, the greater the extent to which rationalized rules and procedures and personnel become 347 American Journal of Sociology institutional requirements. New formal organizations emerge and extant organizationsacquire new structural elements. Leadershipeforts of local organizations. The rise of the state and the expansion of collective jurisdiction are often thought to result in domesticated organizations(Carlson1962) subject to high levels of goal displacement (Clark 1956; Selznick 1949; and Zald and Denton 1963). This view is misleading: organizations do often adapt to their institutional contexts, but they often play active roles in shaping those contexts (Dowling and Pfeffer 1975; Parsons 1956; Perrow 1970; Thompson 1967). Many organizations actively

seek charters from collective authorities and manage to institutionalize their goals and structures in the rules of such authorities.

Efforts to mold institutional environmentsproceed along two dimensions. First, powerful organizations force their immediate relational networks to adapt to their structures and relations. For instance, automobile producers help create demands for particular kinds of roads, transportation systems, and fuels that make automobiles virtual necessities; competitive forms of transportationhave to adapt to the existing relational context. But second, powerful organizations attempt to build their goals and proceduresdirectly into society as institutional rules.

Automobile producers, for instance, attempt to create the standards in public opinion defining desirable cars, to influence legal standards defining satisfactory cars, to affect judicial rules defining cars adequate enough to avoid manufacturerliability, and to force agents of the collectivity to purchase only their cars. Rivals must then compete both in social networks or markets and in contexts of institutional rules which are defined by extant organizations. In this fashion, given organizational forms perpetuate themselves by becoming institutionalized rules.

For example: Schooladministrators ho createnew curricula r trainingprograms tw o a i tempt to validatethem as legitimateinnovationsn educationalheoryand t I t c governmental equirements. f they are successful, he new procedures an r o a be perpetuated s authoritatively equired r at least satisfactory. r w s a New departments ithinbusiness nterprises, uchas personnel, dvertise a ing, or research nddevelopment epartments, ttemptto

professionalizey d a b t r c creating ulesof practiceandpersonnel ertificationhat areenforced y the b schools, prestigesystems, and the laws. Organizations nder attack in competitiveenvironments-smallfarms, a o passenger ailways, r RollsRoyce-attempt to establishthemselves s cenr tral to the culturaltraditionsof their societiesin orderto receiveofficial protection. The Impact of Institutional Environments on Organizations Isomorphismwith environmentalinstitutions has some crucial consequences for organizations: (a) they incorporate elements which are legitimated externally, rather than in terms of efficiency; (b) they employ external or 348 Formal Structure as Myth and Ceremony eremonialassessment criteriato define the value of structuralelements; and (c) dependence on externally fixed institutions reduces turbulence and maintains stability. As a result, it is argued here, institutional isomorphism promotes the success and survival of organizations. Incorporatingexternally legitimated formal structures increases the commitment of internal participants and externalconstituents. And the use of externalassessmentcriteriathat is, moving toward the status in society of a subunit rather than an independent system-can enable an organization to remain successful by social definition, bufferingit fromfailure.

Changingformalstructures. -By designing a formal structure that adheres to the prescriptionsof myths in the institutional environment, an organization demonstrates that it is acting on collectively valued purposes in a proper and adequate manner (Dowling and Pfeffer 1975; Meyer and Rowan 1975). The incorporationof institutionalized elements provides an account (Scott and Lyman 1968) of its activities that protects the organizationfrom having its

conduct questioned. The organization becomes, in a word, legitimate, and it uses its legitimacy to strengthen its support and secure its survival.

From an institutional perspective, then, a most important aspect of isomorphism with environmental institutions is the evolution of organizational language. The labels of the organization chart as well as the vocabulary used to delineate organizational goals, procedures, and policies are analogous to the vocabularies of motive used to account for the activities of individuals (Blum and McHugh 1971; Mills 1940). Just as jealousy, anger, altruism, and love are myths that interpret and explain the actions of individuals, the myths of doctors, of accountants, or of the assembly line explain organizationalactivities.

Thus, some can say that the engineerswill solve a specific problem or that the secretaries will perform certain tasks, without knowing who these engineers or secretarieswill be or exactly what they will do. Both the speaker and the listeners understandsuch statements to describehow certain responsibilitieswill be carried out. Vocabularies of structure which are isomorphic with institutional rules provide prudent, rational, and legitimate accounts. Organizationsdescribed in legitimated vocabulariesare assumedto be oriented to collectively defined, and often collectively mandated, ends. The myths of personnel ervices, for example, not only account for the rationality of employment practices but also indicate that personnel services are valuable to an organization. Employees, applicants, managers, trustees, and governmental agencies are predisposed to trust the hiring practices of organizations that follow legitimated procedures-such as equal opportunity

programs, orpersonalitytesting-and they are morewilling to participate in or to fund such organizations. On the other hand, organizations that omit environmentally legitimated elements of structure or create unique structures lack acceptable 349 American Journal of Sociology egitimated accounts of their activities. Such organizationsare more vulnerable to claims that they are negligent, irrational, or unnecessary. Claims of this kind, whether made by internal participants, external constituents, or the government, can cause organizations to incur real costs. For example: With the rise of modernmedicalinstitutions, largeorganizationshat do t not arrange edical-careacilitiesfor theirworkers ometo be seenas neglim f c gent-by the workers, y managementactions, by insurers, y courtswhich b f b legallydefinenegligence, nd often by laws. The costs of illegitimacy n ina i urance remiums nd legalliabilitiesare very real. p a e Similarly, nvironmentalafetyinstitutions akeit important or organis m f zations to create formalsafety rules, safety departments, nd safety proa grams. No Smokingrules and signs, regardless f their enforcement, re o a necessary o avoidcharges f negligence nd to avoidthe extremeof illegitit o a mation: the closingof buildings y the state. b The rise of professionalizedconomicsmakesit useful for organizations e to incorporate roupsof economists nd econometric nalyses. Thoughno g a a one may read, understand, r believethem, econometric nalyseshelplegitio a ate the organization's lans in the eyes of investors, customers(as with p DefenseDepartmentcontractors), nd internalparticipants. uchanalyses a S can also providerationalaccountings fter failuresoccur: managers hose a w plans have failed can demonstrateo investors, stockholders, nd superiors t a

that procedures ere prudentand that decisionswere made by rational w means. Thus, rationalized institutions create myths of formal structure which shape organizations. Failure to incorporatethe proper elements of structure is negligent and irrational; the continued flow of support is threatened and internal dissidents are strengthened.

At the same time, these myths present organizations with great opportunities for expansion. Affixing the right labels to activities can change them into valuable services and mobilize the commitments of internal participants and external constituents. Adopting external assessmentcriteria. -In institutionally elaborated environments organizations also become sensitive to, and employ, external criteria of worth. Such criteriainclude, for instance, such ceremonialawards as the Nobel Prize, endorsementsby important people, the standard prices of professionalsand consultants, or the prestige of programsor personnelin external social circles.

For example, the conventions of modern accounting attempt to assign value to particular components of organizations on the basis of their contribution-through the organization's production function-to the goods and services the organization produces. But for many units-service departments, administrativesectors, and others-it is utterly unclear what is being produced that has clear or definablevalue in terms of its contribution to the organizationalproduct. In these situations, ccountants employ shadow prices: they assume that given organizational units are necessaryand calculate their value from their prices in the world outside the organization. Thus modern accounting creates ceremonial production 350 Formal Structure as Myth and

Ceremony functions and maps them onto economicproductionfunctions: organizations assign externally defined worth to advertising departments, safety departments, managers, econometricians, and occasionally even sociologists, whether or not these units contribute measurably to the production of outputs.

Monetary prices, in postindustrial society, reflect hosts of ceremonial influences, as do economic measuresof efficiency, profitability, or net worth (Hirsch 1975). Ceremonialcriteria of worth and ceremonially derived production functions are useful to organizations: they legitimate organizationswith internal participants, stockholders, the public, and the state, as with the IRS or the SEC. They demonstrate socially the fitness of an organization.

The incorporationof structureswith high ceremonialvalue, such as those reflecting the latest expert thinking or those with the most prestige, makes the credit position of an organizationmore favorable. Loans, donations, or investments are more easily obtained. Finally, units within the organization use ceremonial assessments as accounts of their productive service to the organization. Their internal power rises with their performance on ceremonial measures (Salancik and Pfeffer 1974). Stabilization. -The rise of an elaborateinstitutional environment stabilizes both external and internal organizational relationships.

Centralized states, trade association, unions, professional associations, and coalitions among organizationsstandardize and stabilize (see the review by Starbuck 1976). Market conditions, the characteristics of inputs and outputs,

and technological procedures are brought under the jurisdiction of institutional meanings and controls. Stabilization also results as a given organization becomes part of the wider collective system. Support is guaranteed by agreements instead of depending entirely on performance. For example, apart rom whether schools educate students, or hospitals cure patients, people and governmental agencies remain committed to these organizations, funding and using them almost automatically year after year. Institutionally controlled environments buffer organizations from turbulence (Emery and Trist 1965; Terreberry 1968). Adaptations occur less rapidly as increased numbers of agreements are enacted. Collectively granted monopolies guarantee clienteles for organizations like schools, hospitals, or professional associations.

The taken-for-granted (and legally regulated) quality of institutional rules makes dramatic instabilities in products, techniques, or policies unlikely. And legitimacy as accepted subunits of society protects organizationsfrom immediate sanctions for variations in technical performance: Thus, American chooldistricts(likeothergovernmental nits) have near s u monopolies nd are very stable. They must conformto widerrules about a o a properclassifications nd credentials f teachers nd students, and of topics a of study. But they are protectedby ruleswhichmakeeducationas defined 351

American Journal of Sociology by these classifications compulsory. Alternative or private schools are possible, but must conform so closely to the required structures and classifications as to be able to generate little advantage. Some business organizations obtain very high levels of

institutional stabilization. A large defense contractor may be paid for following agreed-on procedures, even if the product is ineffective. In the extreme, such organizations may be so successful as to survive bankruptcy intact-as Lockheed and Penn Central have done-by becoming partially components of the state.

More commonly, such firms are guaranteed survival by state-regulated rates which secure profits regardless of costs, as with American public utility firms. Large automobile firms are a little less stabilized. They exist in an environment that contains enough structures to make automobiles, as conventionally defined, virtual necessities. But still, customers and governments can inspect each automobile and can evaluate and even legally discredit it. Legal action cannot as easily discredit a high school graduate. Organizational success and survival. Thus, organizational success depends on factors other than efficient coordination and control of productive activities. Independent of their productive efficiency, organizations which exist in highly elaborated institutional environments and succeed in becoming isomorphic with these environments gain the legitimacy and resources needed to survive. In part, this depends on environmental processes and on the capacity of given organizationalleadershipto mold these processes (Hirsch 1975). In part, it depends on the ability of given organizations to conform to, and become legitimated by, environmental institutions.

In institutionally elaborated environments, sagacious conformity is required: leadership (in a university, a hospital, or a business) requires an

understanding of changing fashions and governmental programs. But this kind of conformity-and the almost guaranteed survival which may accompany itis possible only in an environment with a highly institutionalized structure. In such a context an organization can be locked into isomorphism, ceremonially reflecting the institutional environment in its structure, functionaries, and procedures.

Thus, in addition to the conventionally defined sources of organizational success and survival, the following general assertion can be proposed: Proposition 3. Organizationsthat incorporatesocietally legitimatedrationalized elements in their formal structuresmaximize their legitimacy and a increasetheir resources nd survivalcapabilities. This proposition asserts that the long-run survival prospects of organizations increase as state structures elaborate and as organizations respond to institutionalized rules.

In the United States, for instance, schools, hospitals, and welfare organizations show considerable ability to survive, precisely because they are matched with-and almost absorbed by-their institutional environments. In the same way, organizations fail when they deviate 352 Formal Structure as Myth and Ceremony from the prescriptionsof institutionalizingmyths: quite apart from technical efficiency, organizations which innovate in important structural ways bear considerablecosts in legitimacy.

Figure 2 summarizes the general argument of this section, alongside the established view that organizationssucceed through efficiency. INSTITUTIONALIZED STRUCTURES AND ORGANIZATIONAL ACTIVITIES Rationalized formal structures arise in two contexts. First, the demands of

local relational networks encourage the development of structures that coordinateand control activities. Such structurescontribute to the efficiency of organizations and give them competitive advantages over less efficient competitors.

Second, the interconnectedness of societal relations, the collective organizationof society, and the leadershipof organizationalelites create a highly institutionalized context. In this context rationalized structures present an acceptable account of organizationalactivities, and organizations gain legitimacy, stability, and resources. All organizations, to one degree or another, are embedded in both relational and institutionalized contexts and are therefore concernedboth with coordinatingand controlling their activities and with prudently accounting for them.

Organizations in highly institutionalized environments face internal and boundary-pning contingencies. Schools, for example, must transport students to and from school under some circumstancesand must assign teachers, students, and topics to classrooms. On the other hand, organizations producing in markets that place great emphasis on efficiency build in units whose relation to production is obscure and whose efficiency is determined, not by a true production function, but by ceremonialdefinition.

Nevertheless, the survival of some organizationsdepends more on managing the demands of internal and boundary-pningrelations, while the survival of others depends more on the ceremonial demands of highly institutionalized environments. The discussion to follow shows that whether an organization'ssurvival dependsprimarilyon relationalor on institutional

demands determines the tightness of alignments between structures and activities. Elaboration institutional of rationalized myths Organizational conformity with institutional myths Legitimacy and resources Organizational Survival fficiency FIG. 2. -Organizational survival 353 American Journal of Sociology Types of Organizations Institutionalized myths differ in the completenesswith which they describe cause and effect relationships, and in the clarity with which they describe standards that should be used to evaluate outputs (Thompson 1967). Some organizations use routine, clearly defined technologies to produce outputs. When output can be easily evaluated a market often develops, and consumers gain considerable rights of inspection and control. In this context, efficiency often determines success.

Organizations must face exigencies of close coordinationwith their relational networks, and they cope with these exigencies by organizing around immediate technical problems. But the rise of collectively organized society and the increasing interconnectedness of social relations have eroded many market contexts. Increasingly, such organizations as schools, R & D units, and governmental bureaucraciesuse variable, ambiguous technologies to produce outputs that are difficult to appraise, and other organizations with clearly defined technologies find themselves unable to adapt to environmental turbulence.

The uncertainties of unpredictable technical contingencies or of adapting to environmental change cannot be resolved on the basis of efficiency. Internal participants and external constituents alike call for institutionalized rules that

promote trust and confidencein outputs and buffer organizationsfrom failure (Emery and Trist 1965). Thus, one can conceive of a continuum along which organizationscan be ordered. At one end are production organizations under strong output controls (Ouchi and McGuire 1975) whose success depends on the management of relational networks.

At the other end are institutionalized organizations whose success depends on the confidence and stability achieved by isomorphism with institutional rules. For two reasons it is important not to assume that an organization'slocation on this continuum is based on the inherent technical properties of its output and therefore permanent. First, the technical properties of outputs are socially defined and do not exist in some concrete sense that allows them to be empirically discovered. Second, environments and organizations often redefine the nature of products, services, and technologies.

Redefinition sometimes clarifies techniques or evaluative standards. But often organizations and environments redefine the nature of techniques and output so that ambiguity is introduced and rights of inspection and control are lowered. For example, Americanschools have evolved from producing rather specific training that was evaluated according to strict criteria of efficiency to producing ambiguously defined services that are evaluated according to criteria of certification (Callahan 1962; Tyack 1974; Meyer and Rowan 1975). 354

Formal Structure as Myth and Ceremony Structural Inconsistencies in Institutionalized Organizations Two very general problems face an

organization if its success depends primarily on isomorphism with institutionalized rules. First, technical activities and demands for efficiency create conflicts and inconsistencies in an institutionalized organization'sefforts to conform to the ceremonialrules of production. Second, because these ceremonial rules are transmitted by myths that may arise from differentparts of the environment, the rules may conflict with one another.

These inconsistenciesmake a concernfor efficiency and tight coordination and control problematic. Formal structures that celebrate institutionalized myths differ from structures that act efficiently. Ceremonialactivity is significant in relation to categorical rules, not in its concrete effects (Merton 1940; March and Simon 1958). A sick worker must be treated by a doctor using accepted medical procedures; whether the worker is treated effectively is less important. A bus company must service required routes whether or not there are many passengers.

A university must maintain appropriatedepartments independently of the departments' enrollments. Activity, that is, has ritual significance: it maintains appearancesand validates an organization. Categoricalrules conflict with the logic of efficiency. Organizationsoften face the dilemma that activities celebratinginstitutionalized rules, although they count as virtuous ceremonial expenditures, are pure costs from the point of view of efficiency. For example, hiring a Nobel Prize winner brings great ceremonial benefits to a university. The celebrated name can lead to researchgrants, brighter students, or reputational gains.

But from the point of view of immediate outcomes, the expenditure lowers the instructional return per dollar expended and lowers the university's ability to solve immediate logistical problems. Also, expensive technologies, which bring prestige to hospitals and business firms, may be simply excessive costs from the point of view of immediate production. Similarly, highly professionalized consultants who bring external blessings on an organization are often difficult to justify in terms of improved productivity, yet may be very important in maintaining internal and external legitimacy.

Other conflicts between categorical rules and efficiency arise because institutional rules are couched at high levels of generalization (Durkheim 1933) whereas technical activities vary with specific, unstandardized, and possibly unique conditions. Because standardized ceremonial categories must confront technical variations and anomalies, the generalized rules of the institutional environment are often inappropriateto specific situations.

A governmentally mandated curriculum may be inappropriate for the students at hand, a conventional medical treatment may make little sense given the characteristics of a patient, and federal safety inspectors may intolerably delay boundary-pningexchanges. 355 American Journal of Sociology Yet another source of conflict between categorical rules and efficiency is the inconsistency among institutionalized elements. Institutional environments are often pluralistic (Udy 1970), and societies promulgate sharply inconsistent myths.

As a result, organizationsin search of external support and stability incorporate all sorts of incompatible structural elements. Professions are

incorporatedalthough they make overlapping jurisdictional claims. Programs are adopted which contend with each other for authority over a given domain. For instance, if one inquireswho decides what curricula will be taught in schools, any number of parties from the various governments down to individual teachers may say that they decide. In institutionalized organizations, then, concern with the efficiency of day-to-day activities creates enormousuncertainties.

Specificcontexts highlight the inadequacies of the prescriptionsof generalizedmyths, and inconsistent structural elements conflict over jurisdictional rights. Thus the organization must struggle to link the requirementsof ceremonialelements to technical activities and to link inconsistent ceremonialelements to each other. Resolving Inconsistencies There are four partial solutions to these inconsistencies. First, an organization can resist ceremonial requirements. But an organization that neglects ceremonialrequirementsand portrays itself as efficient may be unsuccessful in documenting its efficiency.

Also, rejecting ceremonial requirements neglects an important source of resourcesand stability. Second, an organization can maintain rigid conformity to institutionalized prescriptions by cutting off external relations. Although such isolation upholds ceremonial requirements, internal participants and external constituents may soon become disillusioned with their inability to manage boundary-pning exchanges. Institutionalized organizationsmust not only conform to myths but must also maintain the appearancethat the myths

actually work. Third, an organization can cynically acknowledgethat its structure is inconsistent with work requirements.

But this strategy denies the validity of institutionalized myths and sabotages the legitimacy of the organization. Fourth, an organization can promise reform. People may picture the present as unworkablebut the future as filled with promisingreformsof both structure and activity. But by defining the organization'svalid structure as lying in the future, this strategy makes the organization'scurrent structure illegitimate. Instead of relying on a partial solution, however, an organization can resolve conflicts between ceremonial rules and efficiency by employing two interrelated devices: decoupling and the logic of confidence.

Decoupling. -Ideally, organizations built around efficiency attempt to 356 Formal Structure as Myth and Ceremony maintain close alignments between structures and activities. Conformity is enforced through inspection, output quality is continually monitored, the efficiencyof various units is evaluated, and the various goals are unified and coordinated. But a policy of close alignment in institutionalized organizations merely makes public a record of inefficiency and inconsistency. Institutionalized organizations protect their formal structures from evaluation on the basis of technical performance: inspection, valuation, and control of activities are minimized, and coordination, interdependence, and mutual adjustments among structural units are handled informally. Proposition 4. Because attempts to control and coordinate activities in institutionalizedorganizationslead to conflictsand loss of legitimacy, elements of structureare decoupledrom activitiesandfrom each

other. f Some well-known properties of organizations illustrate the decoupling process: Activities are performed beyond the purview of managers. In particular, organizations actively encourageprofessionalism, and activities are delegated to professionals.

Goals are made ambiguous or vacuous, and categorical ends are substituted for technical ends. Hospitals treat, not cure, patients. Schools produce students, not learning. In fact, data on technical performance are eliminated or renderedinvisible. Hospitals try to ignore information on cure rates, public services avoid data about effectiveness, and schools deemphasize measures of achievement. Integration is avoided, program implementation is neglected, and inspection and evaluation are ceremonialized. Human relations are made very important.

The organization cannot formally coordinate activities because its formal rules, if applied, would generate inconsistencies. Therefore individuals are left to work out technical interdependencies informally. The ability to coordinate things in violation of the rules-that is, to get along with other people-is highly valued. The advantages of decoupling are clear. The assumption that formal structures are really working is buffered from the inconsistencies and anomalies involved in technical activities.

Also, because integration is avoided disputes and conflicts are minimized, and an organization can mobilize support from a broader range of external constituents. Thus, decoupling enables organizations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations. The organizationsin an industry tend to

be similar in formal structure-reflecting their common institutional origins-but may show much diversity in actual practice. The logic of confidence nd goodfaith. -Despite the lack of coordination a nd control, decoupledorganizationsare not anarchies. Day-to-day activities proceed in an orderly fashion. What legitimates institutionalized organizations, enabling them to appear useful in spite of the lack of technical valida357 American Journal of Sociology tion, is the confidenceand good faith of their internal participants and their external constituents. Considerations of face characterize ceremonial management (Goffman 1967). Confidence in structural elements is maintained through three practices-avoidance, discretion, and overlooking (Goffman 1967, pp. 1218).

Avoidance and discretion are encouraged by decoupling autonomous subunits; overlooking anomalies is also quite common. Both internal participants and external constituents cooperate in these practices. Assuring that individual participants maintain face sustains confidencein the organization, and ultimately reinforcesconfidencein the myths that rationalizethe organization'sexistence. Delegation, professionalization, goal ambiguity, the elimination of output data, and maintenance of face are all mechanismsfor absorbinguncertainty while preserving the formal structure of the organization (March and Simon 1958).

They contribute to a general aura of confidence within and outside the organization. Although the literature on informal organization often treats these practices as mechanisms for the achievement of deviant and subgroup purposes (Downs 1967), such treatment ignores a critical feature of

organization life: effectively absorbing uncertainty and maintaining confidencerequirespeople to assume that everyone is acting in good faith. The assumption that things are as they seem, that employees and managers are performing their roles properly, allows an organization to perform its daily routines with a decoupled structure.

Decoupling and maintenanceof face, in other words, are mechanismsthat maintain the assumptionthat people are acting in good faith. Professionalization is not merely a way of avoiding inspection-it binds both supervisors and subordinates to act in good faith. So in a smaller way does strategic leniency (Blau 1956). And so do the public displays of moraleand satisfaction which are characteristic of many organizations. Organizations employ a host of mechanisms to dramatize the ritual commitments which their participants make to basic structural elements.

These mechanisms are especially common in organizations which strongly reflect their institutionalized environments. 5 Proposition . The morean organization'sstructureis derivedrom instituf tionalizedmyths, themoreit maintains elaborate isplays of confidence, atisfacs d tion, and goodfaith, internallyand externally. The commitments built up by displays of morale and satisfaction are not simply vacuous affirmations of institutionalized myths. Participants not only commit themselves to supporting an organization'sceremonial facade but also commit themselves to making things work out backstage.

The committed participants engage in informal coordination that, although often formally inappropriate, keeps technical activities running smoothly I

and avoids public embarrassments. n this sense the confidenceand good faith 358 Formal Structure as Myth and Ceremony generated by ceremonial action is in no way fraudulent. It may even be the most reasonableway to get participants to make their best efforts in situations that are made problematic by institutionalized myths that are at odds with immediate technical demands.

Ceremonial inspection and evaluation. -All organizations, even those maintaining high levels of confidence and good faith, are in environments that have institutionalized the rationalizedrituals of inspection and evaluation. And inspection and evaluation can uncover events and deviations that undermine legitimacy. So institutionalized organizations minimize and ceremonializeinspection and evaluation. In institutionalized organizations, in fact, evaluation accompanies and produces illegitimacy.

The interest in evaluation research by the American federal government, for instance, is partly intended to undercut the state, local, and private authorities which have managed social services in the United States. The federal authorities, of course, have usually not evaluated those programswhich are completely under federal jurisdiction; they have only evaluated those over which federal controls are incomplete. Similarly, state governments have often insisted on evaluating the special fundings they create in welfare and education but ordinarily do not evaluate the programswhich they fund in a routine way.

Evaluation and inspection are public assertions of societal control which violate the assumption that everyone is acting with competence and in good

faith. Violating this assumption lowers morale and confidence. Thus, evaluation and inspection undermine the ceremonial aspects of organizations. 6 Proposition . Institutionalizedorganizationsseek to minimize inspection and evaluationby bothinternalmanagersand externalconstituents. Decoupling and the avoidance of inspection and evaluation are not merely devices used by the organization.

External constituents, too, avoid inspecting and controlling institutionalized organizations (Meyer and Rowan 1975). Accreditingagencies, boards of trustees, government agencies, and individuals accept ceremoniallyat face value the credentials, ambiguous goals, and categorical evaluations that are characteristic of ceremonial organizations. In elaborate institutional environments these external constituents are themselves likely to be corporately organized agents of society.

Maintaining categorical relationships with their organizational subunits is more stable and more certain than is relying on inspection and control. Figure 3 summarizesthe main argumentsof this section of our discussion. SUMMARY AND RESEARCH IMPLICATIONS Organizational structures are created and made more elaborate with the rise of institutionalized myths, and, in highly institutionalized contexts, 359 American Journal of Sociology of structural The decoupling and from each other subunits from activity Isomor phism with an elaborated institutional environment - Rituals of ood faith The avoidance and effective FIG. 3. -The confidence and of inspection evaluation effects of institutional isomorphism on organizations organizationalaction must support these myths. But an organization must also attend to practical

activity. The two requirementsare at odds. A stable solution is to maintain the organizationin a loosely coupled state. No position is taken here on the overall social effectiveness of isomorphic and loosely coupled organizations. To some extent such structures buffer activity from efficiency criteria and produce ineffectiveness.

On the other hand, by bindingparticipants to act in good faith, and to adhere to the larger rationalities of the wider structure, they may maximize long-run effectiveness. It should not be assumed that the creation of microscopicrationalities in the daily activity of workers effects social ends more efficiently than commitment to larger institutional claims and purposes. Research Implications The argumentpresented here generates several major theses that have clear researchimplications. 1. Environmentsand environmentaldomainswhich have institutionalized a greater number of rational myths generate more formal organization.

This thesis leads to the research hypothesis that formal organizations rise and become more complex as a result of the rise of the elaborated state and other institutions for collective action. This hypothesis should hold true even when economic and technical development are held constant. Studies could trace the diffusion to formal organizations of specific institutions: professions, clearly labeled programs, and the like. For instance, the effects of the rise of theories and professions of personnel selection on the creation of personnel departments in organizations could be studied.

Other studies could follow the diffusion of sales departments or researchand development departments. Organizationsshould be found to adapt to such

environmental changes, even if no evidence of their effectiveness exists. Experimentally, one could study the impact on the decisions of organizational managers, in planning or altering organizationalstructures, of hypothetical variations in environmentalinstitutionalization. Do managersplan differentlyif they are informedabout the existence of establishedoccupations or prog