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**The Innovative Capacity of Institutional Entrepreneurs:
A Reconstruction of Corporate Social Responsibility**

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The Innovative Capacity of Institutional Entrepreneurs: A Reconstruction of Corporate Social Responsibility

The notion of institutional entrepreneur (DiMaggio, 1988) has given rise to a controversy in neo-institutional theory around the ability of actors to distance themselves from institutional pressures, envision alternative institutional patterns, and act strategically to change institutions in which they are embedded. This paper empirically examines the ability of embedded actors to envision alternative institutional patterns, that is, their innovative capacity. We analyze the role that an individual played in the development of a new institutional logic of corporate social responsibility in Denmark between 2001 and 2002. Based on our empirical findings on the innovative capacity of this individual, we propose a new definition of institutional entrepreneurs that is more compatible with the premises of neo-institutional theory than the one proposed by DiMaggio (1988). We propose that institutional entrepreneurs are institutionally bounded agents who a) transpose an institutional logic across fields and introduce it as a deliberate alternative to the institutional logic in the focal field, or b) deliberately seek to diffuse an alternative logic within a field.

How can institutional entrepreneurs be innovative, given that they are institutionally embedded actors? This conundrum brings to the forefront an important challenge facing the literature on institutional entrepreneurship, namely the reconciliation of deliberate action with the notion of embedded agency. To address this issue, we empirically examine the innovative capacity of an institutionally embedded actor. Our analytical objective is to evaluate if institutional entrepreneurship holds promise as an endogenous explanation of institutional change.

The literature on institutional entrepreneurship has emerged in response to the call for a better understanding of how and why institutions change. The latter questions remain notoriously difficult to answer, as acknowledged by some institutional theorists (e.g., DiMaggio & Powell, 1991; Fligstein, 1991; Hoffman, 1999; Seo and Creed, 2002). *That* institutions change is beyond much doubt. But it is not entirely clear *why* institutions change, and *how* they do so (Barley &

Tolbert, 1997). Addressing the issue of the role of agency in institutional change, DiMaggio (1988) introduced the notion of institutional entrepreneurship in neo-institutional theory. He defined institutional entrepreneurs as actors who have an interest in modifying institutional structures or in creating new ones, and who have enough resources to do so. By developing this notion, DiMaggio put more emphasis on the role of actors and agency in institutional change processes. He thus revived dimensions of 'old institutionalism' (Selznick, 1949, 1956) that had been deemphasized in early neo-institutional studies (e.g., DiMaggio & Powell, 1983; Meyer, Scott, & Deal, 1983; Tolbert, 1985; Tolbert & Zucker, 1983; Zucker, 1983). These early studies focused on the reproduction of institutional elements and saw the forces leading to institutional change as exogenous to a particular field.

The notion of institutional entrepreneurship is a source of controversy among neo-institutionalists. Part of this controversy has to do with the fact that neo-institutional theory broke with rational actor models by proposing that organizational behavior is shaped by institutions rather than by instrumental calculations (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Neo-institutionalist studies convincingly demonstrate that actors are institutionally embedded and that social systems change as a result of aggregated actions by institutionally embedded actors who behave in conformity with the given institutional order in a field. Consequently, they challenged the assertion of rational actor models that individuals are free to set goals and pursue them deliberately if they so desire. The problem with DiMaggio's definition of institutional entrepreneur was that it could be regarded as a return to rational actor models. His definition gave rise to a controversy around the ability of actors to distance themselves from institutional pressures and to act strategically. One objection was that if actors are institutionally embedded, then how can they have interests that diverge from the institutional order that shape them? And, how can they envision alternative options? These questions allude to the apparent contradiction

between institutional determinism and agency, also referred to as the ‘paradox of embedded agency’ (Holm, 1995; Seo & Creed, 2002).

On the one hand, the notion of institutional entrepreneur is seemingly in contradiction with the core of neo-institutional theory. On the other hand, neo-institutional theorists have devoted increasing attention to explaining institutional change over the last 15 years, and many have expressed growing dissatisfaction with exogenous explanations. As Zucker (1988) underlined, if change always comes from a higher level in the system, the logical fallacy of infinite regression to another higher level is an obvious problem. Though neo-institutional theory has successfully refuted rational actor models, it still struggles to explain how some actions count relatively more than do other actions towards institutional change. Unless, of course, differential impact of actions are fully attributable to chance, external events, or structural positions of actors. But these explanations are increasingly regarded as insufficient explanations of institutional change (Dacin, Goodstein, & Scott, 2002). The notion of institutional entrepreneur, proposed as a way to address this problem, offers an endogenous explanation of institutional change (e.g., Beckert, 1999; DiMaggio, 1988; Fligstein, 1997; Garud et al., 2002; Holm, 1995; Rao, 1998). While this endogenous explanation is promising, it still struggles with the paradox of embedded agency. If institutional entrepreneurship is to gain wide recognition in the field as an endogenous explanation of institutional change, researchers must explain how actors can envision new institutional patterns and act in non-conformity with the institutions that supposedly govern their behavior. Seo and Creed (2002) have called for the necessity to address empirically this puzzle.

Our quest in this paper is to empirically examine a key dimension of the paradox of embedded agency, namely the innovative capacity of embedded actors. We define innovative capacity as the ability of actors, who are institutionally embedded, to envision alternative institutional patterns. We conceptualize institutional patterns as institutional logics, defined as

collective means-end designations that represent shared understandings in a field of what goals to pursue and how to pursue them (Scott, 1987, 1994a). Collective means-ends designations are the “mundane, taken-for-granted relationships between means and ends that have the tone, ‘this is how the world works’ ” (Dobbin, 1994:13). Institutional logics are means-ends designations that are so self-evident to actors that they are never fully or systematically articulated (Hirschman, 1977, in Dobbin, 1994: 13). Institutional logics are very persistent to change (Dobbin, 1994; Friedland & Alford, 1991) because actors, genuinely believing institutional logics to be objectively true, rarely subject them to scrutiny (Berger & Luckmann, 1966; Dobbin, 1994). Thus, an *alternative* institutional pattern is a means-end designation that has not previously been considered as a potential replacement for the institutional logic in a field. More precisely, by actors ‘innovative capacity’ we mean the ability of actors to cognitively conceive of a new means-end designation that differs from the institutional logic of a field. We do not pretend that innovative capacity necessarily leads to institutional change. However, space does not permit due attention in this paper to the subsequent steps of enacting a new cognitive pattern in practice or diffusing it in the field.

In the frame of this paper, we restrict our focus to *individual* agency. To investigate the innovative capacity of embedded individuals, we conducted an empirical case study in real time. The case study is drawn from the organizational field of Denmark. Previous empirical research has found the nation state to constitute an organizational field (Dobbin, 1994). We examined how a group of individuals, embedded in this field, came to conceive of a previously unavailable means-end designation as an alternative to the institutional logic underpinning the Danish institution of *corporate social responsibility*. The analysis, drawing out the most significant dimensions of the data, examines the cognitive process through which one actor, in collaboration with others, came to conceive of this alternative means-end designation. In reconstructing the

notion of 'corporate social responsibility', this person acted deliberately, which makes the case rather extreme. Not all innovations are as deliberate as suggests this case. An extreme case is very useful, though, because "if the processes involved in the extreme case are clarified, those of less extreme cases will be understood more easily" (Berger & Luckmann, 1967:157). The high level of self-awareness of this one individual facilitates the investigation of the innovative process, which is otherwise rather inaccessible to researchers.

The paper proceeds as follows. We first introduce the theoretical framework on which we rely to analyze human agency throughout the paper. Then, we apply it empirically to investigate the innovative (projective) capacity of institutionally embedded individuals. We subsequently present key empirical findings and discuss them in relation to the literature on institutional entrepreneurship. We conclude the paper with a proposal for a better definition of institutional entrepreneurship and with our recommendations for future research that pursues this line of inquiry.

THE NOTION OF AGENCY

The notion of agency is used extensively in social sciences, but it is often given different definitions, thus rendering it a vague term. It is associated with words such as motivation, will, purpose, intentionality, interest, choice, initiative, freedom, and creativity. For example, Scott (2001) considers that agency refers to an actor's ability to intentionally pursue interest and to have some effect on the social world, altering the rules or the distribution of resources. According to Sewell (1992), to be an agent means to be capable of exerting some degree of control over the social relations, in which one is enmeshed, which in turn implies the ability to transform those relations to some degree. These definitions portray agency as a unidimensional concept that can be represented on a continuum between high and low levels of agency. Moreover, relying on this

definition, one may be tempted to regard agency as a fixed individual attribute: some people have a high level of agency whereas others do not. Agency may, in fact, vary depending on the context in which individuals are embedded and it may evolve through time.

Instead of viewing agency as a unidimensional concept, we propose to view it as multidimensional one *in order to overcome the paradox of embedded agency (Battilana, 2004)*. Relying on the definition developed by Emirbayer and Mische (1998), we define agency as the actors' engagement (in the social world), which, through the interplay of habit, imagination, and judgment, both reproduces and transforms the environment's structures. According to this definition agency comprises three constitutive elements: iteration, projectivity, and practical evaluation (Emirbayer & Mische, 1998: 970-971). The 'iterational element' refers to the selective reactivation by actors of past patterns of thought and action, as routinely incorporated in practical activity. The iterational element of agency gives stability and order to social universes and helps to sustain identities, interactions, and institutions over time. It corresponds to the actors' reproductive capacity. The second dimension of agency, i.e., 'projectivity', encompasses the imaginative generation by actors of possible future trajectories of action, in which received structures of thought and action may be creatively reconfigured in relation to actors' hopes, fears, and desires for the future. It corresponds to what we call the innovative capacity of actors throughout the paper. Finally, the 'practical-evaluative' element of agency refers to the actors' capacity to make practical and normative judgments among alternative possible trajectories of action, in response to the emerging demands, dilemmas, and ambiguities of presently evolving situations. In other terms, it is the actors' reflective capacity. Emirbayer and Mische thus conceptualize agency as a temporally embedded process of social engagement, informed by the past (in its habitual aspect), oriented toward the future (as a capacity to imagine alternative possibilities), and practiced in the present (as a capacity to contextualize past habits

and future projects within the contingencies of the moment). In other words, human agency potentially comprises a reproductive, an innovative and a reflective dimension. These three dimensions of agency interact dynamically with one another (Emirbayer & Mische, 1998: 972), and one dimension may be relatively more pronounced than another, depending on the context and actor.

The reproductive dimension of human agency is fully compatible with neo-institutional theory in as much as all actors are assumed capable of reproducing the institutions in their field. As for the reflective dimension of agency, neo-institutional theory accounts for it by stating that actors are more likely to distance themselves from existing institutions when they encounter contradictory institutions (Clemens and Cook, 1999; Oliver, 1992; Seo and Creed, 2002). The experience of contradictory institutions triggers individuals' reflective capacity in that they no longer take the existing institutional arrangements for granted. In contrast, it seems more complicated to account for the innovative dimension of agency within the frame of neo-institutional theory. DiMaggio's (1988) definition of institutional entrepreneurs has two implications regarding institutional entrepreneurs' agentic orientation. First, to behave as institutional entrepreneurs, individuals must perceive that they have an interest in changing the existing institutional order. To do so, they must be able to distance themselves from the existing institutional arrangements. Therefore, institutional entrepreneurs are assumed to be able to make critical judgements about the reality they face, which means that the reflective dimension of their agency plays an important role. Second, by proposing that actors can develop new institutional projects, DiMaggio (1988) implicitly takes into account the innovative dimension of agency. Actors would not be able to conceive of new projects if they did not have an innovative capacity. On the whole, he implicitly makes the assumption that some actors, i.e., institutional entrepreneurs, are characterized both by a reflective and innovative agentic capacity. Between

these two capacities, we focus on the latter, which we consider the most controversial dimension of human agency in relation to neo-institutional theory. It is not clear how actors can be simultaneously innovative and institutionally embedded. Recognizing that the three dimensions of human agency are intrinsically related to one another, we try in this paper to single out the innovative capacity of embedded actors for empirical investigation.

METHODOLOGY

Since our analytical objective is to examine the innovative capacity of institutionally embedded actors, we seek to investigate only one dimension of human agency, namely projectivity. Not only do we target only one dimension of human agency, we also restrict innovation to its deliberate, forward-looking form. Innovation as a spontaneous, emergent process is not explored in this paper.

To investigate actors' innovative capacity, we use a qualitative case study from year 2002. The case study is a new project on corporate social responsibility and diversity management, funded in part by two large Danish firms in the service industry, and in part by a European Union (EU) fund. The data pool, from which selective parts are drawn, contain non-participant observations of project group meetings over six months from December 2001 to May 2002, interviews with ten key project members, written material used or produced during the initial stage of this project, and supplementary field-level data in the form of governmental policies and laws, newspaper articles, and field observations in Denmark from fall 2001 to summer 2002.

We use qualitative methods to analyze data. The unit of analysis is the means-end designation, which is composed of a means and an end. We map means-ends designations across levels of analysis so as to identify the emergence and origin of a means-end designation that is alternative to the institutional logic that already exists in the field. For a means-end designation to

be regarded as an institutional logic, it has to permeate the field to such an extent that it is taken-for-granted by field members. Means-ends designations can also be shared only by a group of field members or by a single individual in that particular field. To identify a new means-end designation at the individual level, identified means-ends designations are placed at the highest warranted level of analysis so as to de-clutter lower levels of analysis where innovative capacity is most likely to occur. Finally, we triangulate data sources with one another so as to minimize post-rationalization, window-dressing, and mistaken aggregation.

FINDINGS

The findings we present demonstrate the innovative capacity of one individual actor. To reiterate, actors' innovative capacity is defined as their ability to cognitively conceive of a new means-end designation that differs from the existing institutional logics of a field. Previous research indicates that institutional logics shape the sorts of means that people can envision when trying to solve a problem (Dobbin, 1994: 230). Hence, the innovative capacity is understood as the ability to envision new means to solve a problem. The following case study shows the process through which one actor came to conceive of a new solution to a long-standing problem. Table 1 contains a chronological overview of events, divided along three levels of analysis (society, project, and individual).

The problem

In year 2000, a report from the Danish government acknowledges the difficulty of integrating immigrants and ethnic minorities in the Danish workforce. "The unemployment rate of ethnic minorities is almost 17% as opposed to 5.6% in the remaining population, ... a problem that both the government and labor market partners consider very important to address"

(Partsudvalget om integration, 2000: 4). Apparently, this problem is very present in year 2000.

Figure 1, the results of a keyword search in a large Danish newspaper, shows a dramatic increase in attention to this problem from 1999 to 2000. In average, the newspaper publishes almost one article per day on this topic in 2000 and 2001. The actor remarks the growing attention to this problem: “When I leave Denmark in 1995, we have gender equality on the agenda. Five years later, when I return, ethnic equality has moved to the top of the Danish agenda.” The problem may have important consequences for Danish society, as explains another interviewee:

Danish society will become more and more multiethnic with time. If we cannot get people who are different from one another to work together in the workplace, there is not much hope of creating cohesion in society as a whole. Then we will see greater and greater polarization between people with different ethnic backgrounds, between the highly educated and the poorly educated, between people in good and less good economic circumstances, and this will lead to a lack of social cohesion. That is not a very nice society to imagine living in. (Project manager)

Not only is the problem important, it is also tenacious. The government and labor market partners, who “consider this problem very important to address” (ibid), have in fact been trying to address it for years. Apparently to little avail.

The institutionalized solution: National solidarity

The Social Democratic government and its labor market partners began to address this problem in 1994. That year, the government launched a campaign on ‘corporate social responsibility’ (CSR). The CSR campaign aimed at mobilizing Danish firms to take active part in labor market policy. Firms were requested to hire passive income recipients, particularly immigrants, refugees, and disabled individuals, and to retain employees at risk of prematurely leaving the workforce due to long-term illness or temporarily reduced working capacity. By acting in this way, firms would contribute to meeting governmental objectives.

The governmental motive behind the CSR campaign was clearly socio-economic. Demographic projections in the mid-1990s predicted higher demand on public support programs in the future, mainly from the aging population, the growing number of first and second generation immigrants outside the labor force, and an increasing proportion of single-parent families in Danish society (Ministry of Labor et al., 2001: 8). If these trends were not reversed, public services would have to be lowered in 2010. To circumvent this line of development, the government could increase taxes, allow more immigration, or activate more passive income recipients. Opting for the latter orientation, the Social Democratic government launched the CSR campaign in 1994 and pursued it until 2001 when the Liberal party was elected to form the new government.

The CSR campaign gave rise to a CSR policy, referred to locally as the policy on the inclusive labor force. The means-end designation that underpins this policy is portrayed in Figure 2. This figure shows a means-end designation where solidarity (the means) leads to socioeconomic development of the welfare state (the end). Solidarity was to take the form of integrating and retaining people excluded from the labor force. This means-end designation is identical to dominant institutions and previous national policy orientations in the field, much as predicts comparative research on national policies (Dobbin, 1994). Through the CSR campaign, the means-end designation (Figure 2) diffused across the field in the late 1990s. This diffusion pattern is reflected in Figure 3, which shows that Danish newspaper articles on CSR emerged after the launch of the CSR campaign in 1994 and increased in numbers during the latter part of the 1990s. By year 2000, the means-end designation in Figure 2 had become institutionalized. It was now widely known and largely synonymous with CSR (field notes). Most importantly: it constituted the taken-for-granted solution to the problem of integrating immigrants. It was obviously true to field members that if everyone showed solidarity by integrating and retaining

people in the workforce, then the Danish welfare state would develop optimally. Thus, this means-ends designation had become the institutionalized solution to the problem of integrating immigrants.

The CSR policy and campaign was more than mere window-dressing; it was not a case of decoupling from the government's perspective. To incite firms to meet governmental policy objectives, the CSR campaign emphasized the moral duty of firms to participate in protecting the Danish welfare state: "Firms must act in the collective interests of the nation, not expecting to derive financial benefits from every act of inclusion and social responsibility" [translated from Danish] (Ministry of Labor et al., 2001: 21). In stressing a moral duty to society, the government evoked a normative institution in Denmark. Actors, whether individuals or firms, should pursue solidarity and the common good of society and refrain from self-interested action. As a complement to this normative institution, the government designed and implemented a range of financial incentive programs, including compensation, rewards, certification, and benchmarking of firms (e.g., www.detsocialeindex.dk; Kruhøffer & Høgelund, 2001). It also established *social partnerships*, that is, administrative interfaces between the government and its labor market partners, in order to remove administrative or legal barriers to policy implementation.

While the CSR campaign proved relatively successful in integrating other subgroups of the population (see Kruhøffer & Høgelund, 2001), the integration of immigrants turned out to be more difficult than expected. Despite six years of intense CSR campaigning, the integration of immigrants remained a tenacious problem in year 2000. Hence, when the above-mentioned report on the integration of immigrants was published in year 2000, the context was one of largely failed efforts to solve the problem of integrating immigrants. Not for a lack of effort on the part of government and labor market partners. The institutionalized solution had simply proved ineffective.

A certain level of de-institutionalization sets in. De-institutionalization gains further momentum due to two precipitating jolts in 2001: the election of a Liberal government in Denmark, and the publication of the European Commission's *Green Paper on Corporate Social Responsibility*. The latter contains a definition of corporate social responsibility that is much broader than the one institutionalized in Denmark during the previous seven years. This disparity, combined with the ideological shift in government, opened up for local innovations. The institutional change model developed by Greenwood, Suddaby and Hinings (2002) predicts, in fact, that precipitating jolts precede de-institutionalization, which is then followed by a local innovation.

An alternative solution: Diversity management

In 2001, two large Danish firms in the service sector submit a shared application to a European Union fund. This fund invests in innovative partnership projects that are aligned with EU labor market policy in the sense of seeking to integrate and maintain as many people as possible in the active labor force and promoting equality between them. The project application to this fund contains a proposal for an innovative project on diversity management and corporate social responsibility, the latter being understood as the integration and maintenance of people in the active labor force (Figure 2). Diversity management, being the innovative dimension, is the managerial practice of identifying and developing individual strengths of employees so as to generate synergies that increase the financial performance of the firm. The underlying logic of diversity management, portrayed in Figure 4, shows that the recruitment and development of employees with undeveloped human potential (means) lead to increased financial performance of the firm (end). In fact, the benefit of diversity management is supposedly three-fold: the firm optimizes its financial performance, the individual employee develops personally, and society

improves on socioeconomic measures. The project is granted preliminary funding in fall 2001, and receives full funding for three years from the European Union and the two participating firms in spring 2002.

The innovative idea in the proposal is to implement diversity management as a new form of corporate social responsibility. The expected benefit of this reformulation of CSR is that diversity management will make it more attractive for firms to take on social responsibility, particularly in the form of integrating immigrants in the labor force. Doing so was less attractive for firms under the governmental CSR policy, which did not contain much incentive for firms to integrate immigrants. The new formulation emphasizes a win-win approach. In terms of concrete practice, the project proposes to implement diversity management by recruiting and integrating immigrants, women in management, troubled youth, and physically challenged individuals.

As CSR is re-conceptualized, an alternative means-end designation emerges. This alternative means-end designation is developed as actors superimpose diversity management (Figure 4) upon the institutional logic underpinning corporate social responsibility (Figure 2). The result is the alternative means-end designation portrayed in Figure 5. This figure shows a combination between the institutional logic of the governmental CSR policy (Figure 2) and the logic of diversity management (Figure 4). What is strikingly new in this reformulation of CSR is the focus on individual characteristics and the proposition that people should be treated differently to generate equality in society. These characteristics are radically at odds with the dominant institutional logic of equality in the field, which is portrayed in Figure 6. The figure shows *homogeneity* between people, not differentiation, to be the proper means to equality. The re-conceptualization of CSR thus introduces a means-ends designation that breaks with a dominant institutional logic in the field. The question then emerges, how was it possible for the firms to

develop such an alternative institutional pattern that broke with a dominant institutional logic in the field?

The project initiators were three Danish women who met at an information session on EU funding in spring 2001. Being in mid-career, they knew each other from university where they pursued gender studies. Since then, all three of them had maintained a strong interest in social equality, including the new practice of diversity management. Moreover, at least two of them had been exposed to ethnic diversity in the workplace through international work assignments. Following the information session, the three women contacted two firms for which they worked as external or internal consultants. They asked the firms to participate in the project, which they accepted. Some months later, these firms applied for EU funding to the innovative project. When the project received preliminary funding in 2001, a project group was established to implement the innovative ideas in practice. The project group consisted primarily of employees and managers in human resources (HR), internal and external consultants, and researchers knowledgeable about this topic. The project initiators belonged to this group, one of them being project manager and the other two external consultants. Attached were also higher-level managers and internal communication agents. While all participating individuals played a role in the project formulation, we focus here on the innovative capacity of one of the three project initiators, who is an external consultant. The reason for this focus is that she is particularly articulate and reflexive about her own cognitive process, which facilitates the analysis of her innovative capacity. In the following, we show how she reconstructs the events and thoughts that led her, in interaction with the other initiators and group members, to propose diversity management as an alternative means-end designation to the problem of integrating immigrants in Denmark.

In 2000, when the problem of integrating immigrants in the Danish workforce received much media attention, this woman, an HR consultant in mid-career, returns to Denmark after a five year assignment at the World Bank in the United States. She experiences the problem of integrating immigrants in light of her experience abroad:

In year 2000, I come home to a country that has not at all worked with the problem of integrating immigrants, and I come with the knowledge that it is feasible to do it differently elsewhere. I have seen it done in United States, and I also know that it is possible to integrate immigrants in Canada, a country similar to Denmark in many ways.

In this quote, she makes a parallel between Denmark and Canada/US. This parallel, combined with a shared goal of integrating immigrants, makes it possible to consider a means from one field as potentially transposable to another field. This construction allows her to present the solution from Canada/US as potentially applicable in Denmark. She further states that the solution adopted in Canada/US is more effective than the one used in Denmark. The superior effectiveness of the foreign means makes it attractive, not just possible, to transpose the solution across fields. Thus, the quote shows a cognitive process that makes it possible to transpose a means-end designation across fields. We can infer at this point that *her innovative capacity apparently consists in an ability to bridge two fields by means of a shared goal, and then transpose an alternative, superior means from one field to the other.*

This transposed means-end designation is, of course, diversity management (see Figure 4). She locates the origin of diversity management in the World Bank (US) where it emerged in 1998 as a combination between ethnic equality and gender equality:

In 1994, I am headhunted to the World Bank because of my extensive experience with women and equality. My role is to continue their program on gender equality. Then it happens in the history of the World Bank that there is a shift from a sole focus on gender issues to a focus on racial issues as well. Some people think that the World Bank – which has workers from all over the world – is having problems recruiting blacks. Then they hire a senior advisor on racial equality. And then we have one advisor on gender and one on race, and you can continue the list so that you get one on

handicap as well. They also have one of those now. They decide to put them under one umbrella, called 'diversity management', and ask me – now we are in '98 – to manage the implementation of these diversity management programs. I act as advisor on gender, and manager of the Diversity Management Program in '98, '99 and 2000, as long as I am there.

This quote explains the emergence of diversity management in the World Bank. It shows that the concept appeared in United States a few years prior to its first appearance in Denmark. According to a Danish keyword search, diversity management appears in the library of Copenhagen Business School around year 2000, and in the public media two years later (see Figure 7). These data lend support to the thesis that the alternative solution is not new in an absolute sense, but is transposed from another field. Thus, the transposed object is a new means, diversity management, to a shared goal, the integration of immigrants. Moreover, the transposition occurs across two fields in which the actor is embedded.

Individuals who are embedded in two different fields can transpose institutional logics from one field to another (Sewell, 1992). The project initiator does in fact suggest a transposition across fields in which she is herself embedded. This choice of fields indicates that she searches for solutions within her own cognitive repertoire. Cognitive repertoires are extended when actors become embedded in new fields that are different from the field(s) of their childhood (Berger & Luckmann, 1967). To become embedded in a new field, actors must undergo secondary socialization. This process can be very demanding and lengthy, particularly if the institutions in the two fields conflict with one another (Berger & Luckmann, 1967: 157-163). The woman in this case study has probably undergone secondary socialization during her five-year work assignment in the United States. She has most probably internalized institutions from this foreign field, which are now available in her cognitive repertoire. It is likely that she retrieves the object of transposition, i.e. diversity management, from her cognitive repertoire. This retrieval may not

have been possible, had diversity management not been available in her cognitive repertoire at the time the problem of integrating immigrants presented itself. In fact, judging from the quote below, she might not have been able to identify diversity management as a potential solution to the problem in the first place:

I get a shock when I return to Denmark in year 2000 because the debate on immigrants and refugees has become quite ugly and hateful. Now I have been in a country, United States, where it is common to work with turning these sentiments of aggression and anger into something constructive. So it was not very pleasant to return to this narrow-minded, condescending debate in Denmark. What I remember best from that summer is a newspaper article by Skov Kristensen from Danish Industry who suggested that we work more with a diversity perspective.

The quote shows that she registers only one proposition, diversity management, presumably among many other objectively available propositions for how to solve the problem. Another person, with another cognitive repertoire, may have registered different propositions in the debate that summer. Hence, the data lends support to the claim that multiple embeddedness is the basic source for generating alternative institutional patterns (Berger & Luckmann, 1967: 157-163; Sewell, 1992). It also predicts that potential objects of transposition are limited to those available in actors' cognitive repertoire. *We may thus add at this point that the innovative capacity apparently consists in the ability to transpose an alternative means to a given end across fields, via a cognitive repertoire that is bounded by the fields in which an actor is embedded.*

Having been developed, the alternative means-end designation is the object of some negotiation in the group. It is later modified somewhat to enhance its legitimacy and potential for field-wide diffusion. Space does not permit us to elaborate upon the subsequent processes of negotiation, implementation and diffusion. Only to say that this alternative means-end designation is adopted later that year by the new Liberal government as the foundation for their new CSR policy. The governmental adoption exposes the new means-end designation as a viable alternative to the established institutional logic in the field.

Governmental adoption

In 2002, the government, now Liberal, adopts diversity management as a new orientation to corporate social responsibility. It does so in fall 2002 after a governmental conference on corporate social responsibility and the inclusive labor force:

The starting point [for inclusiveness] must be the particular situation and skills of the individual – not the use of rigid laws and regulations./...The targeted groups for inclusiveness differ on gender, age, ethnic background, education and physical and mental resources. Therefore, it is almost self-evident that they in some situations must be treated differently to create equal opportunities! (Minister of Labor, September 6, 2002)

Prior to adopting a new policy orientation as an alternative solution to the problem, the government requested a literature review on diversity management as a potential new approach to corporate social responsibility. The first volume, published in 2002, states that "The Danish National Institute of Social Research (SFI) conducts until 2003 a research program on inclusion in the labour force, initiated by the Ministry of Social Affairs. The present literature review is the first phase of the project *Diversity Management – a potential contribution to labour force inclusion?*" [my translation] (Kamp & Rasmussen, 2002: 1). Shortly after, in fall 2002, a panel of experts on diversity management presented their ideas at a governmental CSR conference (www.bm.dk/eu/formandskab/konferencer/skagen/Program_skagen.pdf). It is possible, though by no means sure, that these experts informed the government about the innovative project on diversity management and corporate social responsibility in the two large Danish firms.

It is not surprising that the government may take inspiration from local innovations when developing new policies. One theoretical model of institutional change predicts, in fact, that new institutional patterns come about as collective actors, such as the government, adopt local innovations and theorize them (Greenwood, Hinings & Suddaby, 2002). Theorization is the process of generalizing a local innovation in such a way that it becomes a real alternative to an

institutional logic (ibid). Given the timing, it is quite plausible that the reconceptualization of CSR, proposed by the government, was inspired, at least in part, by the innovative local project on diversity management and corporate social responsibility. There may have been other inspirational sources as well.

DISCUSSION

The case presentation showed how one individual generated an alternative means-end designation that differed from the institutional logic in the field. We suggest that this process displays her innovative capacity, and that this innovative capacity makes her qualify potentially as an institutional entrepreneur. A number of possible objections may be raised to this conclusion. Let us therefore address five possible objections before discussing the theoretical implications of our findings.

Potential objections

Firstly, how do we know that this individual did not copy the alternative solution from others in the field? It is quite possible that other field members were also contemplating diversity management as a potential solution to the problem of integrating immigrants. Given that, this project could potentially be copying ideas from a concurrent project on diversity management in the field. There are no indications of such inspirational sources in the data. No Danish sources or examples are mentioned in discussions on how to implement diversity management or how to combine it with corporate social responsibility (field notes and interviews). The data suggest that the project is a front-runner, though there may potentially have been simultaneous initiatives in the field that also inspired the government to adopt this alternative means-end designation.

Secondly, how do we know that the selection of a transposable element is attributable to the actor, and not to institutions? It is indeed difficult to separate these two sources. We suggest that actors are able to make selections within their cognitive repertoire, but that institutions influence the selection process. Institutions may indeed make transposing actors more likely to select one available institutional element over another. The transposition in the present case study was indeed aligned with the general direction of institutional change, that is, away from collectivism and towards individualism, as explains the transposing actor:

Another societal tendency we see these days is a movement from a societal orientation to an individualized one. We change perspective from a very collectivist model to a more individualist model. It is still social – not *a*-social - because we are still together. And it is not simply because we now have a Liberal, right-wing government. The new government is explicit about this agenda, but the trend is much broader. The focus on individuals is a reflection of our present times, whether we have a Social Democratic or a Liberal government

This quote suggests that the transposition, diversity management, is aligned with the general direction of institutional change in the field. This alignment influences the selection process at the individual level. It may also explain the selection process at the field level in the sense that the transposition is perceived as legitimate and innovative in the focal field. For instance, it may be difficult to generate financial resources and mobilize support to implement a transposition that does not qualify as legitimate and innovative in the focal field. Hence, selection processes are tied to the general direction of institutional change in the focal field. *We may therefore add that the innovative capacity of embedded actors is probably limited to transpositions that are aligned with the general direction of institutional change in a field.*

Thirdly, do we suggest that all actors with an innovative capacity qualify as institutional entrepreneurs? Certainly not. It is one thing to transpose a solution from another field to solve a particular problem in the focal field; it is quite another to do so deliberately with the explicit intent of causing institutional change. Since the actor in the case study tried to solve a problem in the

field, the process may well be one of unintended institutional change. If so, she may be a local innovator, but not an institutional entrepreneur. She did, however, express a deliberate intent to change institutions:

I would like to turn around the attitude that some people are different from the norm and that it is a problem we must compensate for, to saying instead that ‘there really are a lot of resources in this’. To turn around this defensive strategy and be more proactively and energetic, and celebrate differences. We are *not* happy with differences. The Danish mentality works against differences, because we are so equalizing. We do not like differences.

In this quote, she presents an agenda that goes beyond mere problem solving. In fact, she explicitly advocates de-institutionalization of the institutional logic of equality (Figure 6) and proposes that it be replaced with a celebration of individual differences. As such, she deliberately intends to remove the normative institution that prevents the entry of diversity management in the field. Since her intent is expressed so clearly, it is fair to conclude that she deliberately pursued institutional change. It may be, though, that her initial motivation was to solve the problem, and that she subsequently generated this institutional change agenda when she realized that normative institutions prevented the adoption and implementation of the proposed alternative solution. If this interpretation is correct, then the transposition probably occurred prior to her intent to cause institutional change. We propose, therefore, that problem solving and deliberating institutional change are two consecutive steps in the process of generating an alternative institutional pattern. In this case, they happened to be performed by the same actor, but less extreme cases may separate the two processes. We further propose that only the second step be considered an act of institutional entrepreneurship.

Fourthly, how do we know that her intent to cause institutional change is not a case of post-rationalization? Data was collected real-time prior to governmental adoption of a new policy, which implies that the data contain only projective statements, that is, the hoped-for effects of the

project. If it were post-rationalization, she would not have been able to voice her intentions prior to the governmental adoption of diversity management as a new orientation to CSR. It is possible, of course, that simultaneous encounters took place with governmental agents, which increased her confidence that the alternative means-end designation may subsequently be adopted by the government. However, had project members been confident about subsequent adoption and diffusion of the new means-end designation at the governmental level, they probably would not have required us as researchers to ensure individual and firm anonymity due to the political nature of the project and the uncertainty of the outcome.

Finally, are we implying that a single individual can change the institutional order? No, definitely not. In this case study, a multitude of factors, including a tenacious field level problem, precipitating jolts, and partial de-institutionalization, made it possible for an individual to propose an alternative institutional pattern by combining two institutional logics available in her cognitive repertoire. Moreover, the interactions between group members with complementary organizational roles, attachments and routines, played a significant role in molding the transposition into a form that lends itself to diffusion, that is, a form that is innovative, yet continuous with existing practices in the two firms and at several levels of management. Institutional change processes may take other forms than the one observed in this case study. Agreeing with Jepperson (1991), we do not pretend that the actions of institutional entrepreneurs are the only possible sources of institutional change. Institutional change processes are complex processes that involve different types of forces. We do not intend to suggest that endogenous sources of change are the only possible sources of change, nor that individuals constitute autonomous change agents.

Assuming that the most important objections have been addressed in a satisfactory manner, we can conclude that actors are apparently able to innovate, but only within a restricted

institutional range. At a general level, we propose that *the innovative capacity of an actor is the ability to establish parallels between fields in which the actor is embedded and to transpose a means-end designation across fields, required that the transposed means-end designation is available within the cognitive repertoire of the transposing actor, that the end in the transposed means-end designation is similar to an institutional logic in the focal field, and that the transposed means is congruent with the general direction of institutional change in this field.* On the basis of this conclusion, we now turn to a discussion of its theoretical implications.

Theoretical implications

Our definition of actors' innovative capacity can be related to previous work on the paradox of embedded agency, that is, to the structure-agency debate. In the following discussion, we highlight our contributions to the question of how actors can influence the institutional structure in which they are embedded. At a general level, our findings confirm Sewell's proposition that "agency [is]...the capacity to transpose and extend schemas to new contexts" (1992: 18). By transposition, he means that schemas "can be applied to a wide and not fully predictable range of cases outside the contexts in which they are initially learned" (Sewell, 1992:17). At a more specific level, our empirical findings allow us to propose a more elaborate account of the transposition process. Below we discuss in turn *what* we propose an alternative institutional pattern to be, *why* it is made, and finally *how* actors go about making it. These propositions assume, of course, that our findings are generalizable.

We propose that an alternative institutional pattern is a means-end designation that is transposed from another field. An alternative institutional pattern is thus not new in an absolute sense, but is a combination of available institutional elements. Seo and Creed (2002) have made a similar proposal, suggesting that embedded agents may change structures by "artfully

mobiliz[ing] different institutional logics and resources, appropriated from their contradictory institutional environments.” (p. 240). The transposed elements are primarily *cognitive* institutions, be they schemas (Sewell, 1992) or institutional logics (Seo & Creed, 2002). To be considered as an alternative institutional pattern, a transposed cognitive institution must be recognized in the focal field as innovative and legitimate. This apparently requires that it be combined with an institutional logic in the focal field. Hargadon and Douglas (2001) came to a similar conclusion in their empirical study of Edison’s innovation of electric lighting.

The motivation of actors who propose an alternative institutional pattern is apparently to solve a field-level problem that has proved resistant to traditional solutions. The initial motivation to solve a field-level problem may be followed by a motivation to change institutions if the latter are perceived to prevent the diffusion, adoption or implementation of an alternative solution. Hence, the motivation to change institutions may well be tied directly to problem solving. Previous work on the paradox of embedded agency suggests that motivation is either institutionally determined or naturally given prior to the existence of institutions. For instance, Seo and Creed (2002) propose that the generation of an alternative institutional pattern is driven by the self-interest of actors who are marginalized, oppressed or deprived by existing institutions. We find little support for this proposal in that the innovative actor in our case study was not marginalized, oppressed, or deprived in any sense of these words. The other position is that institutions determine actor interests. We found some support for this proposal. The actor’s motivation was to solve an already recognized field-level problem, an agenda that is located within institutional boundaries. However, multiple embeddedness allowed her to exercise *some* choice, which suggests that actor interests are not necessarily *determined* by institutions, though they are apparently *bounded* by them.

Our findings support the proposition that states that multiple embeddedness is a precondition for generating an alternative institutional pattern (Battilana, 2004). Seo and Creed (2002) have made a similar proposal, though they suggest that the multiplicity of institutions is *dialectically* generated at the field level. In contrast, we find the multiplicity to be generated at the individual level and to result from multiple embeddedness. Our findings are thus more congruent with the notion of secondary socialization, proposed by Berger and Luckmann (1967: 138-146). Secondary socialization is the process of becoming embedded in a new field after primary socialization during childhood. If the institutions in the second field contrasts with those of the primary field, actors will generally abstain from becoming embedded in the second field. However, if they do, they are required to do alternation, which is the demanding process of relating institutions in a primary field with contradictory institutions in a secondary field (Berger & Luckmann, 1967: 157-163). Alternation is necessary for individuals to establish coherence in their biography and hence to maintain a sense of identity (ibid). The notions of alternation and multiple embeddedness are not only compatible with our findings; they also offer a plausible explanation for the empirical observation that a reproductive capacity seems more common in individuals than an innovative capacity.

The final question is how actors proceed to develop an alternative institutional pattern. Once embedded in multiple fields, actors develop a cognitive repertoire that multiple institutional logics. These institutional logics are the building blocks of an alternative institutional pattern, but how does the process unfold? Seo and Creed call this process “artful” (see quote on p. 24) and admit that their work “does not specify the concrete processes and mechanisms through which social actors ... ultimately cultivate new, well-established institutional arrangements” (Seo & Creed, 2002: 243). Based on our case study findings, we propose that the transposition process is one of establishing similarity between fields and between ends, but not means, in two means-end

designations. These parallels apparently allow actors to select and then transpose a means-end designation from one field to the other. *In general, we propose that actors may transpose an institutional logic from field A to field B if the two fields are recognized as being similar to one another and if their institutional logics have similar ends but divergent means. A transposition may occur if means A is perceived as more effective than means B, and if means A is sufficiently legitimate in field B to be recognized as innovative and progressive in this field.* Other transposition processes and conditions may be possible as well. Since our proposition is derived from a single case study, further empirical investigation is needed to validate the processes through which actors select and transpose institutional elements and then generate alternative institutional patterns from these elements.

In conclusion, we suggest that our proposition regarding the innovative capacity of institutional entrepreneurs is more compatible with neo-institutional theory than it is with rational actor models. Rational actor models propose that actors are able to set goals that are independent of institutions, generate multiple means to reach this goal, and then select the mean they perceive to be objectively most efficacious for reaching this goal. Our proposition implies that actors do not set goals independent of the institutions in which they are embedded, and that they do not generate a list of potential means from which they select the apparently most efficacious one. Hence, our findings break with rational actor models. Though rational actor models may explain our findings with the notions of sufficing behavior and bounded rationality, we doubt that actors are indeed *capable* of generating means and ends that lie outside of the institutions in which actors are embedded. Empirical examples that demonstrate otherwise are required to lend support to rational actor models. That being said, rational actor models are compatible with our findings to the extent that rationality is recognized as being institutionally bounded and confined to the cognitive repertoire of a given actor. Actors may indeed *perceive* themselves to act rationally in

an objective sense, but since their perceptions are likely to be shaped in important ways by institutions, their rationality is largely restricted to consistent behavior, logical thought, and an ability to contrast the imagined outcomes of a few alternative means, available to actors that have achieved multiple embeddedness. These dimensions of rationality can hardly be considered sufficient for lending support to rational actor models. They are better conveyed by the notion of practical-evaluative capacity (Emirbayer & Mische, 1998) than by rational choice. However, if seen as institutionally bounded, rationality may fruitfully complement neo-institutional theory at an individual level of analysis, that is, in the concept of institutional entrepreneurs.

CONCLUSION

The purpose of this paper was to develop a better understanding of the innovative capacity of institutional entrepreneurs. We provided an empirically grounded account of how an embedded actor innovated, i.e. how she came to conceive of an alternative institutional pattern that differed from the institutional logic in the field. Our most important contribution, we believe, consists in the proposition that actors need to be embedded in multiple fields to activate their innovative capacity. We propose that the innovative capacity, once activated, enables actors to transpose a means-end designation across fields in so far as they perceive an occasion for problem-solving, establish similarity between fields, and identify two means-end designations with similar goals and divergent means. To be recognized in the focal field as an alternative institutional pattern, the transposed means-end designation must apparently be seen as sufficiently legitimate and relatively more efficacious than the established institutional logic, which requires that it is aligned with the general direction of institutional change in the focal field. Through this innovative process, embedded actors may generate an alternative institutional

pattern that may later become institutionalized through a long and complex process that we have not addressed in this paper.

The implication of our proposal is that actors who are embedded in multiple fields appear to have higher innovative capacity than other actors. The reason may be that multiple embeddedness extends the cognitive repertoire that actors draw upon to develop alternative institutional patterns. That is, the innovative capacity is apparently bounded by institutions. Once embedded in multiple fields, actors may exercise some choice over which elements they transpose. However, their range of choices remains rather limited. Also, actors may exercise an innovative capacity without displaying self-awareness and deliberate intent to innovate.

Deliberate intent is crucial, however, for an innovative actor to be considered an institutional entrepreneur. Actors may, or may not, use their innovative capacity to influence the direction or speed of institutional change. Only if there is deliberate intent to cause institutional change is it reasonable to consider a transposing actor to be an institutional entrepreneur. Even then, individual actors play only a partial role in institutional change processes, given the multiple contextual conditions required to activate and exercise their innovative capacity.

Our proposed contribution to the literature on institutional entrepreneurship is a revised definition of institutional entrepreneurs that is more compatible with the premises of neo-institutional theory than the definition proposed by DiMaggio (1988). Although we focused exclusively on the innovative dimension in the frame of this paper, the role that institutional entrepreneurs play in diffusion processes should of course not be neglected. Hence, our preliminary proposal is that institutional entrepreneurs are *institutionally bounded agents who a) transpose an institutional logic across fields and introduce it as a deliberate alternative to the institutional logic in the focal field, or b) deliberately seek to diffuse an alternative logic within a field*. This definition is an improved version of DiMaggio's definition, we believe, not only

because it is empirically derived, but also because it encompasses divergent motives and differentiates between the processes of innovation and diffusion (see e.g. Scott, 1994b: 83). It also emphasizes the institutionally embedded nature of entrepreneurial action, while DiMaggio's definition focuses on resources and actor motives, which make allusions to rational agent models.

In sum, we consider our study on the innovative capacity of embedded actors to advance institutional entrepreneurship as an endogenous theory of institutional change. We believe to have taken an important step in this direction by showing how innovative capacity is compatible with institutionally bounded agency. Future research on institutional entrepreneurship may well pursue this line of inquiry by exploring other core capacities of embedded agents, such as the ones they mobilize for diffusing alternative institutional patterns in a field.

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Time	Event – society	Event – project	Event - individual
1994	Social Democratic government launches CSR campaign		
1995			Actor leaves field for United States/ World Bank
2000	Problem of integrating immigrants moves to top of political agenda		
2000			Actor returns to field and searches for solution to field-level problem
2001	Precipitating events: a) election of Liberal government in Denmark b) publication of Green Paper on CSR by European Commission	Initiators meet, formulate an innovative project, and receive preliminary funding from European Union fund and from two participating firms	Actor develops alternative institutional pattern by transposing a means-end designation from United States/ World Bank to Denmark
Winter 2001-2002		Project group forms, holds meetings, and submits a substantial funding application	
Spring 2002		Full funding is granted for three years; project implementation begins	
Fall 2002	Liberal government adopts new CSR policy that is aligned with the orientation of the innovative project		

Table 1: Chronological events divided by level of analysis.

Keyword search in national newspaper, *Berlingske Tidende*

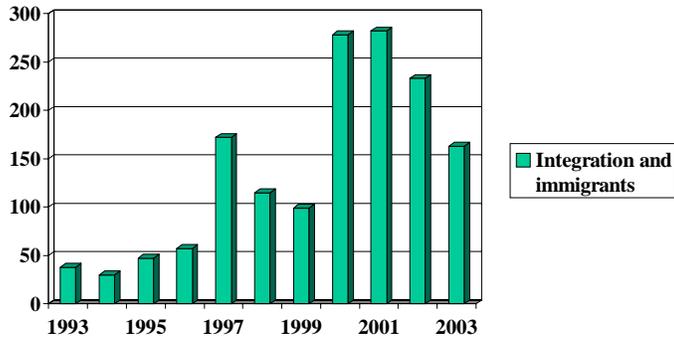


Figure 1: Keyword search on 'integration and immigrants' in *Berlingske Tidende* (national daily newspaper).

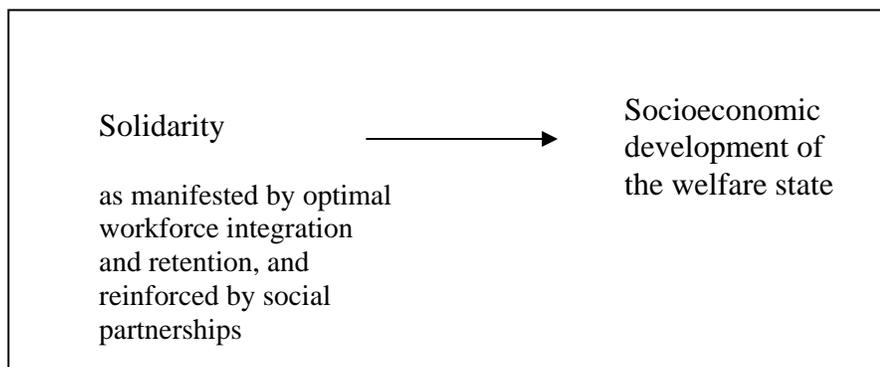


Figure 2: Institutional logic underpinning 'corporate social responsibility' campaign

Articles on 'corporate social responsibility'
in *Berlingske Tidende* 1994-2000

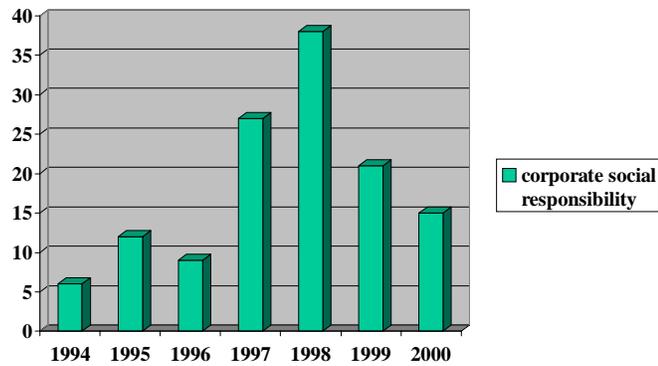


Figure 3: Results of a keyword search on 'corporate social responsibility' in *Berlingske Tidende*.

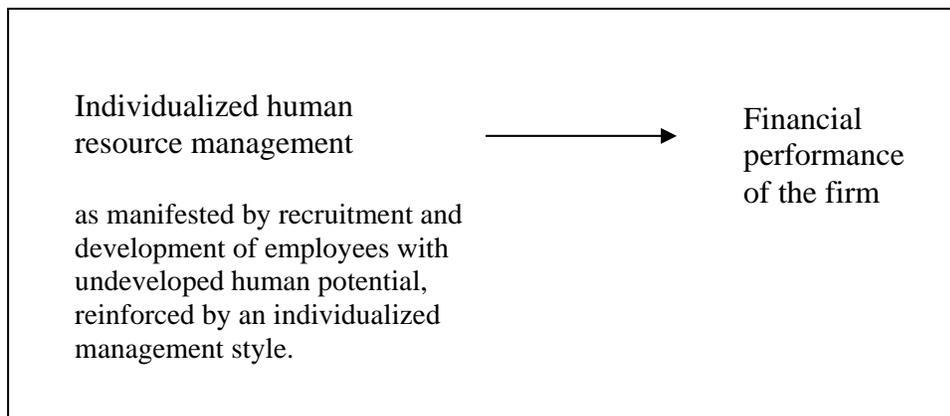


Figure 4: Institutional logic underpinning 'diversity management'.

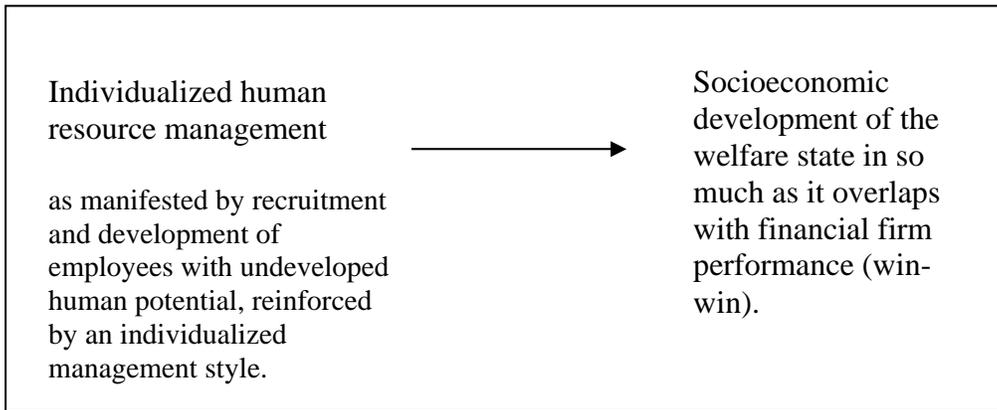


Figure 5: Alternative means-ends designation, resulting from a combination of two institutional logics.

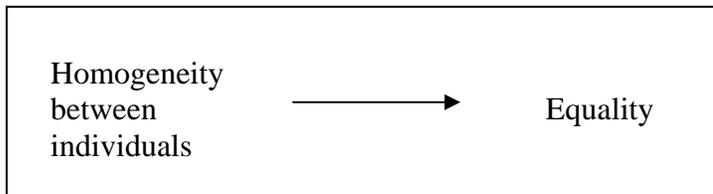


Figure 6: Danish institutional logic of equality.

Danish entries on 'diversity management'

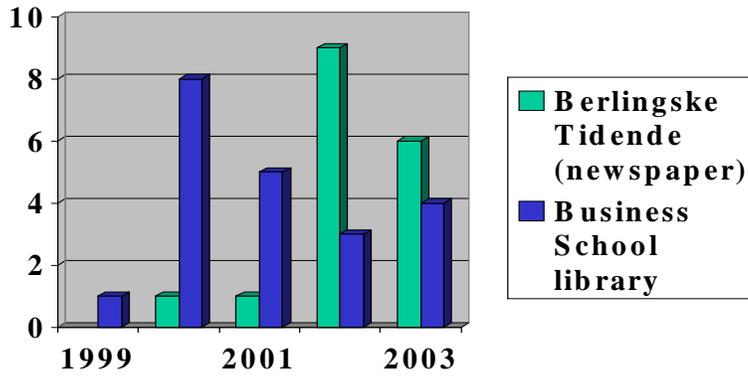


Figure 7: Keyword search on Danish entries on 'diversity management' in *Berlingske Tidende*, a Danish newspaper, and the library database of Copenhagen Business School.