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**The Emergence  
of a Proto-institution**

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# The emergence of a proto-institution

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# The emergence of a proto-institution

## ABSTRACT

This paper investigates the bringing into existence of a proto-institution, that is, a new practice, rule or technology that diffuses beyond the innovative setting, but which is not yet taken-for-granted in a field. A case study, conducted real-time, shows how a collaborative group of business actors deliberately develop a proto-institution. They transpose an institutional logic from another field and combine it with an institutional logic in the focal field to resolve a field-level problem. Enabling factors include a high level of institutional heterogeneity in the focal field, the use of inter-organizational networks, and actors embedded in multiple fields. The making of the proto-institution is intentional, yet the institutional building blocks and the apparent interests of actors are institutionally embedded. The results from this micro-dynamic analysis suggest revisions to current conceptualizations of institutional change processes.

**Keywords:** Institutional change, proto-institution, cognition, institutional entrepreneurship, innovation, collaborative networks.

## INTRODUCTION

Proto-institutions are “new practices, rules and technologies that transcend a particular collaborative relationship and may become new institutions if they diffuse sufficiently” (Lawrence, Hardy & Phillips, 2002: 281). If they diffuse widely, they may come to be taken for granted in a field. When that happens, proto-institutions become institutions, that is, “systems composed of regulative, normative and cultural-cognitive elements that act to produce meaning, stability and order [in a field]” (Scott, 2003: 879). The transformation process from proto-institution to institution tends to be long and complex, as indicates the substantial literature on institutional change processes. A broad range of studies investigates this transformation process, yet only few of them examine the emergence of a proto-institution, that is, the bringing into existence of a new practice, rule or technology. One exception is a study showing intra-organizational, collaborative relationships to be important for the development of new practices (Lawrence, Hardy & Phillips, 2002). Another exception is a study suggesting design to be crucially important for the field-level adoption of a new technology (Hargadon & Douglas, 2001). Both studies illuminate how an innovation, whether a practice or a technology, becomes a proto-institution. They remain silent, however, on the micro-dynamics of the innovation process itself. How is a new practice, rule or technology brought into existence in the first place, before it diffuses and is enacted outside the innovative setting? And what drives this innovative process?

Empirical studies on the micro-dynamics of innovation appear to be absent from the institutionalist literature. While other literatures may be evoked to explain innovation, the proposed explanation must be compatible with the institutionalist premise that “institutions *always exist prior to* any attempt by the actors to introduce change, and will therefore shape the

process of change” (Burns & Scapens, 2000: 11). A plausible explanation for the lack of empirical research on the genesis of a proto-institution is that researchers require an enormous amount of luck to recognize an emerging institution and collect relevant data on ongoing interactions (Barley & Tolbert, 1997). Empirical studies rely mostly on retrospective accounts and archival data, though these data sources are deemed insufficient because individuals seldom remember and organizations rarely record the micro-processes of human interaction (Barley, 1986). Consequently, our insight into the making of a proto-institution is largely confined to deductive conceptualizations of this process. These conceptualizations diverge dramatically from one another. In fact, institutional genesis constitutes a core disagreement between different schools of thought (Abell, 1995). For instance, institutional economics hold proto-institutions to be deliberate conventions that are generated by rational actors who mutually agree to them because they see in these conventions a potential to optimize their own interests (Abell 1995; Campbell, 2004; Douglas, 1986; North, 1990). The sociological school, on the contrary, perceives actors to be institutionally embedded and hence unable to deliberately conceive of entirely new institutions. The sociological school holds proto-institutions to be unintended byproducts of field reconfigurations, which are initiated by a precipitating jolt. These divergent perspectives on the emergence of proto-institutions highlight the importance of illuminating how actors, institutions, and precipitating jolts interact with one another to create an innovation. Detailed empirical analysis of this process is important to illuminate the patterns of interaction.

This study investigates one instance in which a proto-institution emerged. This proto-institution is a new practice, ‘rule’, and management ‘technology’ in the domain of human resource management. The innovators refer to this proto-institution as *Danish diversity management*, a type of diversity management that incorporates corporate social responsibility.

This case study is extreme in the sense that the project is *intended* to be innovative. Presumably, many proto-institutions are non-intentional by-products of systemic processes. While this case is not generalizable to all instances of proto-institutions, it is well suited to illuminate the extent to which proto-institutions may be intentional outcomes of deliberate actions.

The paper is divided into four sections. The first section contains a short review of the literature on the micro-dynamics of institutional change. In the second section, I outline the methodology and analytical procedures of the empirical study, and proceed in the third section to a presentation of the analytical results. The results are structured theoretically so as to show the cross-level interactions that are missing from much research on institutional change (Ocasio, 2002; Palmer & Biggart, 2002). The analysis shows the interactions between field level (Denmark), firm level (one firm in the partnership), group level (the project group), and individual level (members of the project group), with an emphasis on the interaction between individual and field. The results are presented as a sequence of modules, which are concepts or processes already established in the literature. The proposed contribution is the *sequence* of modules as well as the *interfaces* between them. The last section of the paper juxtaposes the empirical research results with previous conceptual models of institutional change so as to propose an integrated, micro-dynamic model of institutional innovation.

## **MODELS OF INSTITUTIONAL CHANGE**

The micro-dynamics of institutional change have received much attention in the last decade (Barley & Tolbert, 1997; Campbell, 2004; DiMaggio & Powell, 1991; Fligstein, 1997; Hoffman, 1999; Seo & Creed, 2002). The current tendency is apparently to reconcile two explanations of institutional change: the exogenous and the endogenous. The *exogenous* explanation suggests

that change occurs when a precipitating jolt, in the form of an external event, disrupts and alters the existing institutional order. Change is the result of a reconfiguration process that takes rather unpredictable paths since no particular causal agent is involved. The process is context dependent and it is therefore difficult to develop generalizable accounts of institutional change processes. The *endogenous* explanation suggests, on the contrary, that the seed to change lies in human interaction. This interaction may take place at the individual level (Seo & Creed, 2002; Zucker, 1988), the group level (Lawrence, Hardy & Phillips, 2002), or the organizational level (Holm, 1995). Interaction may be directed intentionally towards institutional change (Barley & Tolbert, 1997) or it may have a different purpose initially (Lawrence, Hardy & Phillips, 2002). In any event, the causal agents are actors who “see in [new institutions] an opportunity to realize interests that they value highly” (DiMaggio, 1988: 14). Such agents are referred to as institutional entrepreneurs, which constitutes a growing area of interest within institutionalism (see e.g. 2002 special issue in *Academy of Management Journal*). This interest testifies to the search for micro-foundations of institutional change. Yet, it also evokes images of the rational actor who stands apart from institutions. Disembedded agency is radically at odds with the sociological foundations of neo-institutional theory, and institutional entrepreneurship is therefore a very controversial account of institutional change. Current efforts are directed at developing a micro-dynamic model of institutional change processes that is based on empirical studies. So far, no such comprehensive model seems available. Yet, a range of conceptual models, developed deductively, suggests how actors, institutions, and precipitating jolts interact to bring about institutional change. These models are deducted from different theories and hence make radically different proposals.

One model of institutional change is incremental modification. Barley and Tolbert (1997) propose a conceptual model of institutional change in which actors develop new institutions by revising scripts. They define scripts as “observable, recurrent activities and patterns of interaction characteristic of a particular setting” (1997: 98). Their conceptual model has four stages: 1) encoding institutions into scripts, 2) enacting scripts in practice, 3) replicating or revising scripts, and 4) externalizing and objectifying scripts. Institutional change consists in revising scripts, which implies that institutional change consists in changing behavioural patterns. They suggest that actor intentionality is likely to be more effective in causing change than is unconscious or unintentional deviation from a script (Boisot & Child, 1988 in Barley & Tolbert, 1997). They neither outline the process of script revision, nor the origins of actor intentionality. Peter Abell (1987) proposes a rigorous method for analyzing connected sequences of human actions as narratives, which may complement this work.

Another model of institutional change is global diffusion. This model suggests that institutions diffuse across fields and become ‘new’ institutions in the focal field. The process is originally conceptualized as diffusion (DiMaggio & Powell, 1983), but has been reframed as *travel* (Djelic, 1998), *carriers* (Scott, 2003), or *transposition* (Sewell, 1992). These terms reflect divergent assumptions about agency and causality in institutional change. For instance, human agency is evoked when actors ‘transpose’ an institution. Institutions are assigned agency when they ‘travel’, and they are subjected to natural laws when they ‘diffuse’. Disagreement on terminology reflects the prevailing uncertainty about the mechanisms of institutional change. Once an institution has diffused, it is modified to fit the local context (Campbell, 2004; Djelic, 1998; Lippi, 2000; Zeitlin, 2000). These “local modifications represent a pool of potential innovations that may themselves diffuse throughout the field” (DiMaggio, 1988: 16). The



modification process is conceptualized as *translation* (Campbell, 2004; Djelic, 1998; Lippi, 2000), *hybridization* (Pieterse, 1994), *bricolage* (Campbell, 2004), *diffraction* (Djelic, 1998), *allomorphism* (Lippi, 2000), or *adaptation* (Zeitlin, 2000). Translation suggests a reformulation of the original institution, while hybridization and bricolage imply that two institutions, or of some of their parts, are combined with one another. There are few details on the alteration processes at a micro-level. Zeitlin (2002:2) suggests that foreign institutions are adopted in small pieces, not in their entirety, while Pieterse (1994: 165) suggests that hybridization occurs as forms become separated from existing practices and recombine with new forms, thereby forming new practices (Pieterse, 1994: 165). The processes of selection and combination are left unexplored in both studies, reflecting again an uncertainty about the micro-level processes that underpin institutional change.

A third model of institutional change is deinstitutionalization. Greenwood, Suddaby and Hinings (2002) suggest that institutions are deinstitutionalized before a potential new institution is formulated. Deinstitutionalization occurs because a precipitating jolt disturbs the established institutional order. Actors then make local innovations that are subsequently theorized. Theorization is the formulation of new organizing principles for the field, defined as “the development and specification of abstract categories and the elaboration of chains of cause and effect” (Greenwood, Suddaby and Hinings, 2002: 60). As a whole, their model of institutional change contains six consecutive steps: (1) precipitating jolt, (2) deinstitutionalization, (3) preinstitutionalization, (4) theorization (5) diffusion, and (6) reinstitutionalization. This model implies that actors, who face uncertainty following a destabilization of the institutional order, make new institutions from scratch. As such, new institutions are rational solutions to a problem, much like conventions are in institutional economics.

The three models differ with regards to their conceptions of institutional change as radical or incremental. The first model conceptualizes change as incremental, while the second, and particularly the third, model present change as potentially radical. They all attempt to integrate the exogenous and endogenous account of institutional change in as much as they include both human actors and incumbent institutions and their accounts. However, they conceive of the process as rather different sequences of events or ‘modules’. A major area of contention is whether institutional change essentially results from modifications, importations, or new formulations. The following sections of this paper investigate this process at an empirical level so as to judge the relative merits of these conceptual models.

### **ANALYTICAL PROCEDURES**

The research design is a case study of a project group. The project emerges as key group members apply for preliminary funding from the European Union (EU) to initiate an innovative project. Their innovative project consists in developing and implementing Danish diversity management. Key group members refer to this proto-institution as *Danish* because it incorporates the notion of *corporate social responsibility* as the Danish government conceptualizes it. The qualifier ‘Danish’ is redundant at the firm level and the field level since diversity management is unfamiliar to most actors at the time. The project receives initial funding, and they expand the project group to about ten people. The members are primarily managers and consultants associated with one of two large firms in the Danish service industry. The two firms, having past or present ties to the public sector, form this partnership for the purpose of developing the proto-institution, and this project is their first collaboration. At the end of 2001, the project group begins work on a formal EU application that will grant them 50/50

cost-sharing for three years if the project is innovative, grounded in multiple partnerships, and aligned with EU labour policy.

I collect data during eight months at the preliminary phase of the project. This is a time when ideas are being formed and concrete activities planned. It is the design phase. Data collection consists in observing meetings as a non-participant observer, conducting real-time individual interviews with ten group members, and collecting written material that is used or produced during this early phase of the project. These data from the individual, group, and firm level, are supplemented with field level data in the form of newspaper articles, governmental policies, law proposals, and ethnographic observations. Real-time data collection, combined with triangulation of observations, interviews, and documents, should minimize the risk of post-rationalization, window-dressing, and highly aggregated data.

I analyze data from a cognitive perspective. Cognition serves as the nexus between existing institutions and the actions they guide at both the individual and the organizational levels (Hargadon & Douglas, 2001: 480). Cognition is therefore important to institutional change. In fact, it is not the patterns of social practices that make up social systems but the *principles* that pattern these practices (Sewell, 1992: 6). These underlying principles are the *institutional logics*, the collective means-ends designations that represent shared understandings of what goals to pursue and how to pursue them (Scott, 1987, 1994).

[Institutional logics] define the ends and shape the means by which interests are determined and pursued. Institutional factors determine that actors in one setting, called firms, pursue profits; that actors in another setting, called agencies, seek larger budgets; that actors in a third setting, called political parties, seek votes; and that actors in an even stranger setting, research universities, pursue publications” (Scott, 1994: 508).

Institutional logics are also causal relations that actors collectively take to be rational and objectively true (Dobbin, 1994). In a cross-cultural analysis of governmental policies, Dobbin shows institutional logics to vary across fields and to be very persistent to change over time. This persistency is related to the fact that actors genuinely believe dominant institutional logics to be objective representations of reality. Institutional logics are so self-evident to actors in a field that they are not closely scrutinized. They are the taken-for-granted causal beliefs that guide the behaviour of actors in a field (Scott, 2001: 139). In this capacity, institutional logics are essential to an analysis of institutional change (Thornton, 2002; Friedland & Alford, 1991).

The unit of analysis is the means-ends designation. I consider this concept to comprise three components: a means, an end, and a modifying factor (see Figure 1). As such, it mirrors the causal relations used in variance theory research. The means-ends designation is the unit of analysis because it facilitates shifts between four levels of analysis: the field, the firm, the group, and the individual. Means-end designations apply at all levels: They are institutional logics at the field level, organizational cognition at the firm level, group cognition at the group level, and individual cognition at the individual level. The difference between levels consists in the relative number of actors in a field who adhere to a given means-ends designation. As such, a proto-institution is a means-ends designation to which only some individuals in a field adhere. The means-ends designation must have diffused beyond the setting in which it first appear, but must not yet be taken for granted in the field. Danish diversity management is a proto-institution in this sense: It is new to the field in late 2001 when data collection is initiated, yet diffuses to other settings within a year. In early 2004, it is familiar to a large section of the field, yet is not taken for granted. In another few years, it may be difficult to conceive of a time when diversity management, in the Danish sense of the term, was unknown.

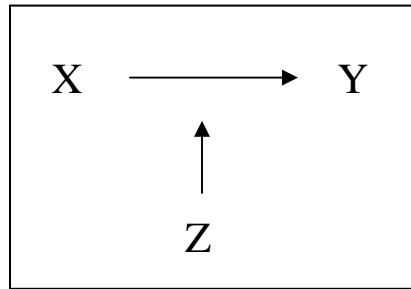


Figure 1: Abstract model of means-end designation.

To analyze data, I use a type of cognitive mapping referred to as *cause mapping* (Huff & Jenkins, 2002; Laukkanen, 1994; Walsh, 1995). The technique consists in identifying related means and ends in a text. These means-ends designations presumably reflect the cognition of speakers and writers, though some discrepancy is certainly possible between cognition and communication. I make cause maps for each interview and each text. To make group level aggregations, I superimpose individual maps on one another to identify common means-ends designations. Only means-ends designations shared by several group members and manifested in group-level interactions are considered to be group cognition. To analyze the firm level, I triangulate written material with secondary data obtained from group members. Since secondary data are not optimal, I tend to avoid the firm level in the analysis. At field level, I triangulated group-level data with newspapers, governmental policies and programs, and law proposals. For this end, I did a keyword searcher at the Danish governmental website ([www.folketinget.dk](http://www.folketinget.dk)), which contain laws and law proposals, transcriptions of a range of governmental interactions, and links to governmental policies. I triangulate these findings with results of a keyword search in a newspaper database and with ethnographic field observations in order to identify the means-ends designations that are indeed taken for granted in the field. Only omnipresent means-ends

designations are mapped as institutional logics. All identified means-ends designations are placed at the highest warranted level of analysis. The aim is to de-clutter lower levels of analysis where cognitive change is most likely to occur. I identified change by observing group interactions over time. Through observations, I generated working hypotheses that I explored in greater depth in individual interviews. As the original interview guide in Appendix 1 suggests, my initial hypotheses were related to corporate social responsibility (CSR), not diversity management.

### **ANALYTICAL RESULTS: THE EMERGENCE OF A PROTO-INSTITUTION**

Below I present the process through which the project group made the proto-institution of *Danish diversity management*. The presentation is structured theoretically into modules that are derived from previous literature on institutional change. To capture the interfaces between modules, the analysis shifts level of analysis during the presentation. I first introduce the working context, and then outline the innovative process, step by step. Each step in the process is a ‘module’ previously described in the literature on institutional change. The intended contribution is the interface between modules and the overall sequence of modules. Table 1 presents an overview of the proposed sequence of modules with their corresponding levels of analysis.

<b>Sequential modules</b>	<b>Level of analysis</b>
Logics compete in heterogeneous field	Field
Field-level problem emerges	Field
Precipitating jolt occurs	Field
Intentional actors seek solutions	Individual
A collaborative network is formed	Group
Institutional logic is transposed from other field	Individual
Transposed logic is justified	Group/ firm
Transposed logic is translated	Individual/ group
Local logic is selected for combination	Individual/ group
Transposed logic is combined with local logic	Group
Proto-institution is diffused through networks	Group/firm/ field

Table 1: Sequence of modules with their corresponding levels of analysis.

### **Logics compete in heterogeneous field**

Institutional change is most likely to occur when a field contains multiple logics that compete with one another. The reason is that it is difficult take an institutional logic for granted if it is constantly met with opposition by a competing logic. The more heterogeneous the field is, the more likely it is that a competing logic will become dominant and foster institutional change.

In the field, Denmark, there is evidence of competing institutional logics: collectivism and individualism. The end is similar, namely socioeconomic development of the welfare state, but the means differ radically. In a collectivist logic, individuals should be treated the same to avoid

exploitation (e.g., labour unions), while individuals should be treated differently to optimize performance in the individualist logic (e.g., promotions). There is evidence of a shift toward the latter logic in the field:

Another societal tendency we see these days is a movement from a societal orientation to a 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. (External consultant)

The change of government occurs in November 2001, shortly before data collection is initiated.

Voters take a significant right-wing turn relative to previous elections, indicating a plausible change in dominant logic from collectivism to individualism. This trend may have long, historical roots:

I think this trend is the result of economic development, of the development of the welfare state. For instance, in my childhood in the 1950s, it was important to conform to collective rules and norms. No matter the orientation of the government, it was important to do things collectively in order to move forward as a society. I think much of the individual trend in the western world is the result of economic development. The individual trend, in Denmark at least, also came about as formal rules separated the income tax of men and women. This had implications, for instance, in cases of divorce. We shifted from being registered as families to being registered as individuals, which is a very significant societal development. This administrative change reflects changes in the society. Gender equality improved when women were detached from their husband's social insurance number. (External consultant)

Low support for worker unions, particularly among young Danes, confirms the current trend towards increased individualism. So does the recent introduction of individually differentiated compensation packages for employees in the public sector. In sum, this field is heterogeneous, contains competing institutional logics, and a shift in dominant institutional logic is apparently under way already. This field context is optimal for institutional change.



## **A field-level problem emerges**

In the mid-1990s, demographic projections predict a significant future problem for the Danish welfare state. This problem is an aging population, a growing number of immigrants outside the active labour force, and a growing proportion of single-parent families, all of which increase the demand on public income support programs (Ministry of Labour et al., 2001: 8). The projection estimates that the Danish welfare state will be unable to finance the 1994 level of public services in 2010 if nothing is to change. The Social democratic government is faced with several options for intervening. They can: a) increase taxation, an unpopular option given that taxation levels are already very high; b) lower the level of public services, an undesirable option for a Social democratic government; c) increase immigration to generate more taxes, an unlikely option given the poor track record of integrating immigrants in the labour market; or d) activate passive income recipients, a desirable but challenging option. The government opts for the latter option, and in 1994, the Ministry of Social Affairs launches a campaign on corporate social responsibility (CSR). The objective is to mobilize private firms to take active part in labour policy by hiring and integrating people into the active labour force, and by retaining employees at risk of leaving the workforce prematurely. The campaign targets immigrants and refugees as well as people with physical disabilities, long-term illness, and temporarily reduced work capacity. The government applies normative pressure and financial incentives to mobilize firms. Policies underscore the moral duty of firms to partake in maintaining the Danish welfare state in writing that “the responsibility for employee retention first and foremost belongs to the firm” [my translation] (Ministry of Labour et al., 2001: 10) and that “the firms must act in the collective interests of the nation, not expecting to derive financial benefits from every act of

inclusion and social responsibility [my translation]” (ibid: 21). To incite firms, the government makes reward programs and launches a certification program, *The Social Index*, which permits firms to use CSR as branding. The Social Index, developed and launched in 2000 by the Danish Ministry of Social Affairs, is a tool for measuring a company's degree of social responsibility. It now belongs to the Danish Ministry for Employment ([www.detsocialeindex.dk](http://www.detsocialeindex.dk), May 4, 2004). To measure the effect of its CSR campaign, the government subcontracts the Danish National Institute of Social Research (SFI) to measure yearly changes in firm perception and behaviour (Kruhøffer & Høgelund, 2001).

The CSR campaign runs from 1994 to 2002. It spreads across the field during the late 1990s, and is eventually taken for granted as *the* true meaning of CSR. It is thus an institution in 2001 when the project is initiated. The institutional logic that underpins this institution is illustrated in Figure 2. It shows a collective means-ends designation, where the end is socioeconomic development of the Danish welfare state, and the means is optimal workforce integration and retention. This means-end designation is modified by social partnerships, that is, various governmental measures that facilitate socially responsible firm behaviour. For instance, legal revisions improve the interfaces between labour unions, private firms, and municipal authorities so as to remove administrative barriers that discourage firms from hiring or retaining people at risk of permanent exclusion from the labour force. And the program of *flex jobs* subsidizes salaries to full-time employees with low working capacity. This institutional logic underpins the interchangeable concepts of *CSR* and *the inclusive labour force*, which are widely present in the field in 2001.

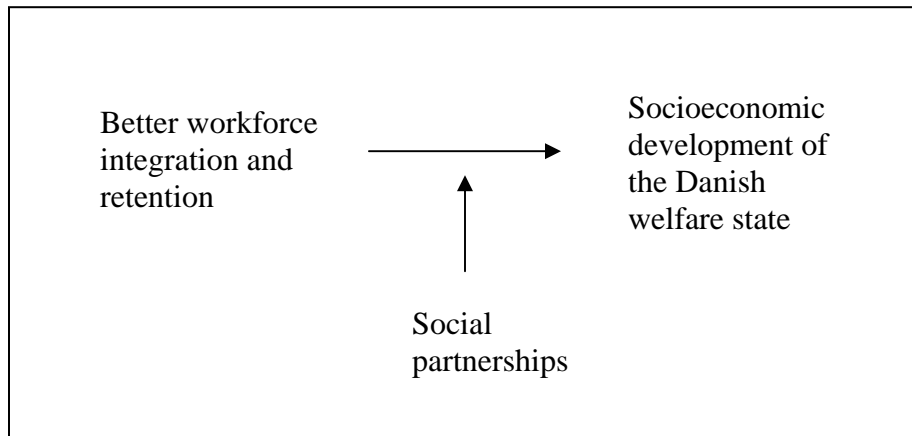


Figure 2: institutional logic of corporate social responsibility (inclusive labour force)

This institutional logic is implemented in the two firms in the case, as it is in many other Danish firms. It is rather illegitimate to disregard corporate social responsibility. Yet it is increasingly evident that firms are somewhat reluctant to sacrifice short-term performance goals to be socially responsible. A tension arises between the relative importance of financial performance and socially responsible behaviour. This tension is present at firm level, as well as at field level, when the project group initiates its work. Seeking to overcome this dichotomy between financial performance and social responsibility, the project group writes in an early working document that the “project must contribute to integrating the measures for ... social responsibility in the core of the firms’ current business strategies” [my translation] (January 2002). It opts to do so by focusing on the integration of skilled immigrants and refugees, many of which are unemployed because of structural barriers at field-level. One barrier is homogeneity:

Denmark is a very homogeneous society. We have only had one problem, we think, and that was gender. We have worked a lot with that, come to disagree and agree about it. But what sets a new agenda in Denmark now is the arrival of immigrants and refugees who have not been requested to come here the way foreign workers were three decades ago. We get a group of people that live regular lives here and who do not behave as guests. And that is a major challenge for us. What do we do with this? That is when ethnic integration is put on the agenda and when the real challenge

begins. Immigrants and refugees are from all kinds of different origins and cannot be treated in a uniform way. (External consultant)

The integration of immigrants and refugees is a field-level problem. The government devotes increasing attention to immigrants and refugees within its CSR program. It launches a working group, which writes in its first report from 2000 that “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 partners in the labour market consider of outmost importance to be addressed (Partsudvalget for integration, 2000: 4). Newspapers also publish a growing number of articles on the integration of immigrants. This problem receives so much attention in the field in the latter part of the 1990s that one interviewee remarks that “when I leave Denmark [in 1995], we have gender equality on the agenda. Five years later, when I return, it is ethnic equality that is on the top of the agenda in Denmark.” The problem is recognized, yet no solutions are readily available.

### **A precipitating jolt occurs**

A precipitating jolt is an field-level event that unsettles an institutional order (DiMaggio & Powell, 1991; Greenwood, Suddaby, & Hinings, 2002). Organizational fields are systems whose components are held in place by institutions. A precipitating jolt unsettles the systemic equilibrium and result in a reconfiguration of components. Once a new equilibrium sets in, institutional change is complete.

Two precipitating jolts occur in 2001 that unsettle the taken-for-granted nature of the Danish CSR institution. One jolt is the Green Paper on corporate social responsibility (CSR) that the European Commission publishes in July 2001 (Commission of the European Communities, 2001). This document defines CSR much broader than does the Danish government. Labour

policy is just one dimension of CSR in this document. Community development, responsible investment practice, and consumer products are also conceptualized as CSR in this EU policy proposal. At field level, the Green Paper gives rise to reflection on the “true” meaning of CSR. On January 28, 2002, the Danish parliament holds a public hearing to discuss Denmark’s position on the Green Paper (Erhvervsudvalget, January 17, 2002). Their conclusion is that the Danish CSR definition is superior to the European one because the former is more precise and operational; they suggest a different terminology for the European concept (Folketingets Europaudvalg og Socialudvalg, April 18, 2002). This conclusion suggests that the current CSR construct is indeed an institution, and that the Green Paper may be a precipitating jolt.

The second precipitating jolt is the previously mentioned change of government in November 2001. The Liberal party is elected new government, replacing the Social Democratic government. This change of government affects social and labour policy. First, the CSR program moves from the Ministry of Social Affairs to the Ministry of Employment to emphasize active labour policy. Secondly, the new government adopts its previous proposition for tax-exempted, employer-paid health insurance as a form of corporate social responsibility six months after elections (Law no. 389, 2002). This take on CSR is rather controversial since it implies a two-tier health care system. According to the Minister of Finance, “the objective of this law proposition is to exempt from taxation the health services that employers pay for their employees. This measure will improve the general well-being of the population, and it will become more attractive for firms to take on corporate social responsibility” [my translation] (Minister of Finance, February 6, 2002). Thirdly, private firms replace labour unions as preferential partners in CSR policy, particularly regarding the integration of immigrants (Folketinget, December 11, 2002, sections 3 and 14). Eventually, the CSR campaign, as originally formulated, is faded out of

governmental policy a year after elections (Minister of Employment, November 11, 2002). The Social Index is maintained as a tool to develop and certify the social responsibility of firms (Sekretariatet for det sociale index, February 27, 2004). In this sense, the change of government is a second precipitating jolt that unsettles the CSR institution. Its taken-for-granted status becomes questionable.

### **Intentional actors seek solutions**

Actors who have the intention to change institutions can influence the direction of institutional change (Barley & Tolbert, 1997; Douglas, 1986; Holm, 1995; Zucker, 1988). Their intentions may be vague at the outset (Holm, 1995) or clearly formulated in line with actor interests (DiMaggio, 1988). They may emerge following an innovation (Hargadon & Douglas, 2002) or following a deinstitutionalization (Greenwood, Suddaby & Hinings, 2002). The main disagreement revolves around actor interests as rational or institutionally embedded. The rational choice position is that actors are able to conceive of interests apart from the institutional setting, while the sociological school holds actors to be institutionally embedded at the levels of both cognition and behaviour.

Certain actors in the project group show a clear intent to change institutions at the levels of both firm and field:

I will do my best to ensure that the firm continues to assume more responsibility for creating a work culture in which very different people can work together. I look at it this way: Danish society will become more and more multiethnic with time. If we can't get people who are different from one another to work together at the workplace, there is not much hope of creating cohesion in society as a whole. Then we will see greater and greater polarisation 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. As far as I am

concerned, there is therefore congruence between diversity management and social responsibility. (Project manager)

And:

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 about differences. The Danish mentality works against this, because we are so equalizing. We do not like differences. (External consultant)

The intent is clear, but how do they envisage doing it? According to Campbell (2004): "The process [of searching for solutions] is path dependent because the range of actors' choices for innovation are more or less fixed by the set of institutional principles and practices at their disposal" (ch. 3: 11). The rational choice school would disagree, holding actors to be free, in principle, to design solutions that are not path-dependent. The interviewee lends support to the sociological explanation when she explains how she generated a potential solution to the problem of immigrant integration:

Two years ago, in the summer of 2000, I move back to Denmark [after five years in the United States]. I get a shock when I return to Denmark 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. I have been in a job with the most privileged employees from all over the world. Only the best of the best are recruited to the World Bank. 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. That was about the only positive thing I recall from this otherwise nasty debate. So you can say, I come home to a country that has not at all worked with these problems, and I come with the knowledge that it is feasible to do it differently. I also know that it is possible to integrate immigrants in Canada, which is a country that is similar to Denmark in many ways. So this was the 'luggage' I had when all this came up, and this luggage turned out to be quite useful. (External consultant)

The interviewee is inspired by the situation in other fields and generates a potential solution that is readily available in her cognitive and behavioural repertoire, developed during five years of working experience in another field. She apparently reasons that a solution that works in another field is applicable to the focal field (Denmark) as well. Her scanning for solutions is inwardly directed. She recalls a newspaper article she read on diversity management that summer. Had diversity management not already existed in her cognitive repertoire, she may not have noticed the newspaper article in the first place. Presumably, there were other solutions to the problem proposed in the media that summer, but they may not have registered as significant because of low resonance with her individual cognition. Her account lends support to the path-dependent thesis. It does not prove the rational choice thesis wrong, since entirely new rational solutions may be possible to design, while this process may rarely occur in practice.

### **A collaborative network is formed**

Collaborative networks are important for developing and diffusing new ideas, practices, and technologies (Lawrence, Hardy & Phillips, 2002; Scott, 2003). If collaboration takes place across organizational divides or field divides, the potential for innovation may increase. The project group is formed when three key group members meet in spring 2001 at an information session on EU funding programs. They know each other from women and gender studies many years back and decide to make a project in collaboration with the firms to which they have ties. They apply for preliminary funding to a 50/50 cost-sharing program that requires the project to be innovative, aligned with EU labour market policy, and structured as a partnership at both the national and European levels. To align the project with EU labour market policy, they must integrate the underlying logic of this policy. Figure 3 shows this logic, whose end is to make



Europe the most competitive knowledge economy in the world by year 2010, the so-called *Lisbon Accord* to which European leaders formally agreed in year 2000. The means is to integrate as many people as possible into the European labour force. Target groups vary somewhat across nations and include women, immigrants, refugees, physically challenged, older workers, and youth. The modifying factor in this logic is equality, understood as the egalitarian, non-discriminatory treatment of all workers and potential workers, no matter their handicap, gender, age, or ethnicity. An application for EU funding requires alignment with this underlying logic. This logic is similar to the logic underlying the CSR institution (see Figure 3). The ends are fully compatible: Denmark is member of the EU and will thus improve its socioeconomic status if Europe becomes a more competitive knowledge economy. The reverse order is also likely to be true: Europe benefits if Denmark performs well on socioeconomic measures. The means are also very similar in the two logics. They both revolve around workforce integration, though they target slightly different groups. Both logics target immigrants and refugees, but women are included in the EU labour market logic, yet not of the Danish CSR logic. The main reason is that Denmark, in contrast to many other European countries, has a high participation rate of women in the active (formal) labour force. This overlap in logics makes it easy for the three people to combine them. It may be unproblematic to combine the two logics, but there also is no significant change accomplished by doing so. The preliminary application to the EU program evokes the concept of CSR and thus demonstrates an implicit alignment with EU labour policy.

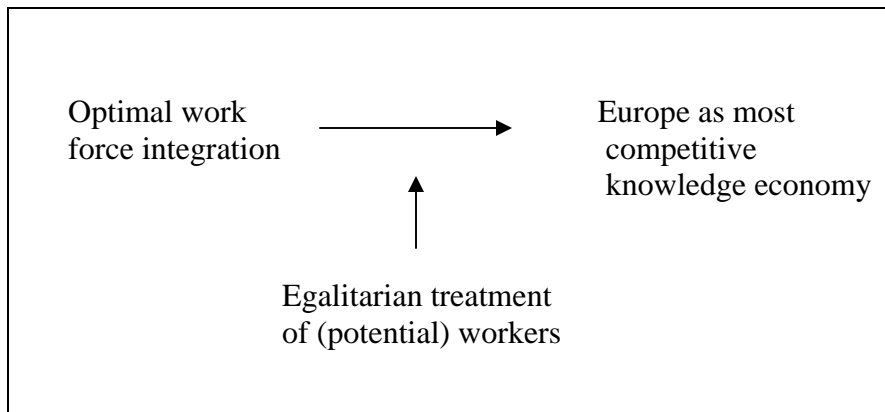


Figure 3: Institutional logic underlying EU labour policy

### **Institutional logic is transposed from other field**

Institutions can be transposed from one institutional field to another (Sewell, 1992). This process can occur by means of symbolic carriers, which are “various types of symbolic schemata into which meaningful information is coded and conveyed” (Scott, 2003: 882). An institutional logic is one such ‘schemata’. At least one actor transposes an institutional logic from a foreign field to solve the field-level problem. At the level of practice, the proposed solution is to treat immigrants as potential resources instead of as financial burdens, as is so commonly done in the focal field. The transposed logic is diversity management, a particular form of strategic human resource management. Figure 4 shows this institutional logic to be composed of an end, financial firm performance, and a means to attain this end, recruitment and development of employees with undeveloped human potential. The rationality is that individuals have capacities that are not developed or used optimally for a variety of reasons. If managers practice diversity management, the modifying factor, then individual capacities can be developed optimally and result in better

financial firm performance. As a secondary objective, individual satisfaction and self-esteem improves. In fact, the benefit is intended to be three-fold: the firm optimizes its financial performance, the individual experiences personal development, and society improves on its socioeconomic measures.

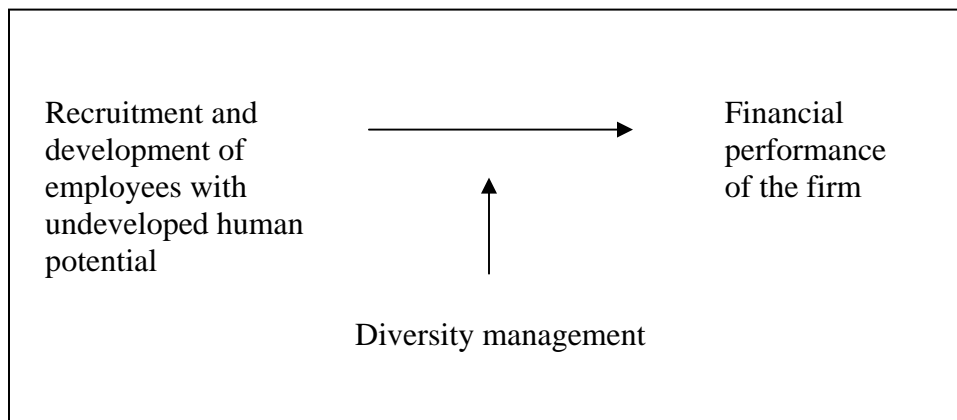


Figure 4: Institutional logic of diversity management.

This institutional logic is selected and transposed, but where does it come from? One interviewee traces its origin to a combination of two institutions, gender equality and racial equality:

In 1994, I am headhunted to the World Bank because of my extensive experience with women and equality. I start in a top position in 1995 as advisor for the top managers of World Bank. It is a position that places me at the right level to make changes. My role is to continue their program on gender equality. When I arrive, the position is "Senior Advisor on Women's Issues". That sounds like a menstrual problem, doesn't it? That bothers me tremendously because it is not a women's issue. I get them to recognize that it is a management issue. 'If you want something here, then it's a *management* issue related to *gender* equality'. I manage to change the perspective. Then I am lucky and get a boss who thinks that I am the best this world has seen. All of a sudden, I get more resources. And *then* you can do something. I get some co-workers and some more money and that kind of thing. And 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.

They have one of those now as well. 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. (External consultant)

The transposed institutional logic is thus a combination of gender equality and racial equality. As these two institutions are compatible with one another, they are easily integrated under the umbrella term of diversity management. The process resembles that of institutional bricolage, understood as the creative combination of institutions from the same field (Campbell, 2004). The combination process appears to be relatively unproblematic, similarly to the combination of the two logics underlying CSR and EU labour policy, as discussed previously. Accordingly, the change potential is more incremental than it is radical.

Gender equality is one of the building blocks of diversity management. The interviewee explained previously that she was recruited to the World Bank because of an expertise in gender equality. What are the origins of this expertise? Apparently, it is the '68 movement, which unsettled the field during her early university years:

I enrolled in University in 1967 to study French and Latin. I had studied these languages in high school and wanted to become a high school teacher in French and Latin. But then 1968 set in and major shifts occurred in terms of what is fun and interesting in this world. I made some major shifts and ended up belonging to that generation of students who initiated women studies. I change into Danish literature and take courses with Pål Dallerup [a well-known Danish feminist], who gave courses on the history of women in literature. It was the early seventies, I think, and the history of women was becoming a very popular topic. It was not at all about gender equality at first. It was about discovering women's role in literature, in language, in art, in history, in the right to vote and all that. There were no women studies at the time, so I belonged to the group of people who developed women studies so to say. (External consultant)

A precipitating jolt occurred, she changed interests, became involved in institution building, and thus developed an expertise in women studies. Proto-institutions related to women and gender

issues diffuses at field level in the 1970s, and in the early eighties they are so widespread that her expertise is in demand:

Then in the early eighties, I am asked by Dansk Magisterforening [professional organization for university graduates] to conduct a study on the situation of men and women in the workforce. At that time, education is seen as the path to equality. This applies to social equality as it does to gender equality. Many of us entered university believing that there would be no differences between us since we would all be university graduates. But we soon discovered that there *were* differences between us. The study I conduct demonstrates the exact same patterns and differences among university graduates as among blue-collar workers with no formal training. The rate of unemployment was twice as high for women as for men, and women's career options were much inferior to men's career options. That came as a major shock, I think, because we were all fully convinced that education would lead to equality. (External consultant)

The institutional logic, to which the interviewee refers, is shown in Figure 5. Her expertise in gender equality apparently developed around this logic, which is still an institution today. Danish universities have no tuition fees, and full-time students receive a small salary from the State. The logic is simply taken for granted.

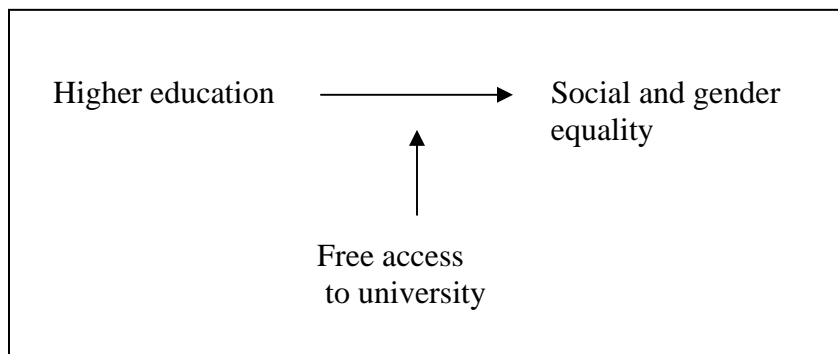


Figure 5: Danish institutional logic of equality

This individual account shows how the interviewee transposes an institutional logic from another field. Her interests are apparently embedded in dominant institutions, change in response to precipitating jolts, and are enacted when she transpose and combine institutional building

blocks to solve a field-level problem. This account lends support to the thesis that precipitating jolts are important in institutional change. At no point in time does the interviewee appear to construct entirely new institutional logics from scratch. She is responsive and proactive in relation to precipitating jolts, and she is able to transpose and combine institutional logics in creative and appropriate ways. She succeeds in obtaining sufficient resources and influence to give momentum to her work, plausibly because her ideas are aligned with promising proto-institutions in the field.

The following sections show how the individuals who are familiar with the transposed logic of diversity management try to justify, translate, and finally combine this logic with a local one to have it be recognized as a proto-institution in the field. Not all institutional logics are easily combined, as we will soon see.

### **Transposed logic is justified**

Institutional logics are dominant in part because field members consider them to be objective representations of reality (Dobbin, 1994). To take effect, transposed logics must appeal intuitively to members of the focal field as superior solutions to a specified problem. The problem must be *specified*, and the innovative solution *justified* (Greenwood, Suddaby & Hinings, 2002; Suchman, 1995; Tolbert & Zucker, 1996). Campbell (2004) makes a similar point in arguing that "the more entrepreneurs can demonstrate that their innovations fit the prevailing institutional situation, the greater will be their capacity for innovation and the greater will be the likelihood that their innovations will stick." (ch. 3: 17).

Three individuals in the project group have already been exposed extensively to the transposed logic, and consider it rational, useful and timely:

I don't think we can avoid recognizing that we are different, and it is okay for us to be different. It is not the diversity project that sets this agenda; it is the reality we live in. Individualism *has* made its breakthrough. We *are* different. To say that two people are different implies that one is better than the other; that is the Danish way of thinking. Maybe we can move on to the point where we can say that we are different, and that is equally good, and we respect it. Or that it is *not* equally good, and that *doesn't* matter. Everything doesn't have to be equally good, does it? (External consultant)

To convey to other group members that the transposed logic is objectively true and constitutes a rational solution to the current problem of integrating immigrants, the project manager invites two expert consultants and one immigrants to explain to the group their real life experiences, research results, and best practice examples. A well-educated immigrant woman tells the group how frustrating it was for her to not have her higher education degree recognized in Denmark. A Danish community expert outlines the challenges of integrating immigrants into the Danish labour force. And an expert consultant on diversity management in Canada explains how the large Canadian company for which she works has succeeded in implementing diversity management. These accounts clarify, justify, and legitimize diversity management as a rationality solution to the problem of integrating immigrants. At the firm level, managerial workshops and the intranet convey a similar message to managers: Diversity management is a contemporary, well-tried management practice with great potential for the Danish context.

Diversity management is also rational from the firm perspective:

It is evident that in the course of a few years there will be a sharply declining number of people in Denmark who are in the productive age group and who can maintain our welfare system. This problem is not topical in the firm now, but it will be. If we are to be competitive in the future, we must be able to attract the best talent, and the best talent can be very different. If we don't have enough human resources, we must be able to attract talented people who have a different background than what we are used to, and we must therefore be capable of managing people with different backgrounds. Otherwise we will be unable to nurture their talent. We can neither attract nor keep the people who will make up the best human resources if we cannot see their qualities

and manage the qualities they have, even though these qualities are different from the ones we have already. (Project manager)

Diversity management will thus ensure a pool of talented job applicants when demographic trends manifest themselves more powerfully. This justification resonates well with preoccupations in the field at the time of the interview, but loses hold as unemployment rates begin to increase in 2002 and 2003. There is no evidence of a shrinking pool of potential employees. So the project group changes justification strategy. They emphasize instead the growing consumer movement and the fact that investors are increasingly concerned with corporate social responsibility. They also refer to research findings that indicate female managers to have relatively higher financial performance than male manager. The discussion within the project group turns away from the dilemma of integrating immigrants and emphasize instead the low number of female managers. This discursive shift reflects the importance of justifying the (perceived) rationality of a transposed logic in order for it to diffuse across the firm and the field.

### **Transposed logic is translated**

Institutions are transformed when they move across fields (Campbell, 2004; Djelic, 1998; Djelic & Quack, 2003; Lippi, 2000; Pieterse, 1994; Zeitlin, 2000). Through a process of translation, they are recontextualized to fit the new institutional context (Campbell, 2004; Djelic, 1998; Lippi, 2000). Translation is necessary to meet the interests of adopters (Pieterse, 1994; Zeitlin, 2000) and for the transposed logic to be *recognized* as a superior form (Djelic, 1998). The innovation must be couched in familiar design to appeal to potential adopters (Hargadon & Douglas, 2001). Diversity management needs to be translated for legitimacy reasons:



The concept of diversity management may have found more fertile soil in the US and Canada. The US really thrives on differences. That is one of the liberating things about being in the US. Differences are welcome. 'Wow! Can you do that? That's fantastic!' In Denmark, difference is not exactly the first thing you should mention. (External consultant)

And:

Diversity management is interpreted differently in Denmark than it is in England, where they may talk about "this many blacks, this many whites, this many Pakistanis". It is legitimate to make categories that are based on terms that we tend to find discriminating, such as whites and blacks. In England, there is more open recognition of the fact that people are different and people talk more freely about the differences. In a Danish context, where we are used to a homogenous society, it is rather appalling to mention the fact that people are different. (Project manager)

In fact, the institutional logic of diversity management conflict with at least two normative institutions in the focal field. One conflict is the pursuit of profit as an end:

In Denmark we do not like to talk about the bottom line and business and that we earn money. We have this equalizing society. In Denmark there is a tendency toward pulling the top down and the bottom up. We have an extremely equalizing society. There is no country in the world that is worse – or better. Business and all that, they make money, and then there are other people who are poor. It is a real shame for them that others make money, so do not advertise that you make money, right. (External consultant)

Financial performance and bottom lines are preferably not addressed directly in the focal field.

They are illegitimate ends to pursue, and are best placed as a means to a 'higher' end. The transposed institution must be translated to soften its allusions to profit-seeking behaviour. In the project group, *business strategy* replaces *financial performance* as the end in the logic underpinning diversity management (Figure 4). This modification is not significant enough, though, to make the transposed logic legitimate in the focal field. It is one thing is to modify conceptions of rationality (cognitive institutions), it is quite another to change norms (normative institutions).

The second conflict relates to the illegitimacy of treating people differently. Differential treatment is synonymous with hierarchies, inequality, and unfairness in the focal field:

In a Danish context, where we are used to a homogeneous society, it is rather appalling to mention the fact that people are different. This has its consequences – negative ones, too - because if you are not able to say that people are different, you cannot acknowledge that you may have to *treat* people differently in order to give them fair and reasonable conditions. Therefore, I think that the Danish tendency towards equalization and homogenization is a hindrance for developing a sensible approach to diversity and difference. In Denmark, it has been a matter of justice: people should be treated equally from a justice perspective. We have been trained in equalization. (Project manager)

The transposed logic is radically at odds with the dominant institutional logic of collectivism in the focal field. A simple translation of the transposed logic is not sufficient. Even a soft version of the transposed logic does not suffice for penetrating normative institutions in the focal field.

### **Transposed logic is combined with local logic**

When logics are easily combined, the process of combination resembles *bricolage*. Bricolage refers to "the process whereby actors recombine locally available institutional principles and practices in ways that yield change" (Campbell, 2004, ch. 3: 4). Empirical research suggests that some institutions may be easily combined (Borum & Westholz, 1995). When logics are easily combined, change is likely to be incremental. On the contrary, when institutional logics conflict with one another, they are more likely to compete for dominance of the field (Greenwood, Suddaby, & Hinings, 2002; Hargadon & Douglas, 2002). The question is whether incompatible logics *can* be combined or not. They apparently can. Key group members, well aware of the cognitive and normative barriers preventing them from implementing the transposed institution in the firm and the field, decide to combine the transposed logic with a

local one. The local logic is corporate social responsibility (Figure 2), which they explicitly select for this purpose:

As far as I am concerned, social responsibility is a part of diversity management. But social responsibility carries great value, great symbolic value, in Denmark. In diversity management, we are used to working with differences, but in Denmark the reaction is one of “Oh no, we don’t want that”. We believe that we can establish connection diversity management and social responsibility since there is no real conflict involved in integrating social responsibility within diversity management. Social responsibility adds symbolic value. It is already present. We also use it because the firm had begun to work more seriously with social responsibility. Then diversity management is connected to that, which makes sense to people. (External consultant)

The intention to combine diversity management with corporate social responsibility is thus very explicit, intentional and pragmatically motivated. The intention to combine these two institutional logics is manifest in the title of the project: diversity management and corporate social responsibility. The two logics also appear in an early working document from January 2002: “the project must contribute to integrating the goals for diversity management and social responsibility with the firms’ particular business strategies” [translated from Danish]. There is thus a clear intention on the part of some actors to combine these two institutional logics, even if the exact combination procedures are not very elaborate at this early stage. At a conceptual level, the process may be to superimpose one institutional logic on another:

I think that firms get involved in social responsibility because it is right, they see it, it is expensive for society, and it doesn’t seem right that so many people are excluded from the labour market. My interpretation is that people like to work with social responsibility because there is someone who is disadvantaged. It may be because they have no education or because they are refugees or physically challenged. But it is still not an *inclusive* approach. When I say that that diversity management should be *superimposed* on that, it is in order to achieve a real *inclusive* approach. We have to get away from “it is a shame for” and “we need to help this person out” to “*no*, it is *not* a shame for them, they are able to do things that I am not, they have other capacities, but they have just as much right to be here”. Not that they should necessarily receive the same salary, but I should respect them as much as I respect

you. And that is a tough one. It is easier for us to handle the “it is a shame for” way of thinking. (External consultant)

If the two logics are superimposed on one another, the result is to treat immigrants as different people with other capacities, yet worthy of the same respect, instead of treating them as a relatively inferior and disadvantaged subpopulation. As this image suggests, the overlap between the two logics is primarily the practice of integrating immigrants. In fact, it is the overlap between the means in the two logics that makes it possible for the project group to combine the two logics. The means are not identical, but there is significant overlap between them. This overlap consists more precisely of immigrants and physically challenged individuals who (a) receive public income support, and (b) have undeveloped human potential that may be useful to firms if developed. This subpopulation becomes the main target of practice, supplemented with the development of female managers. In fact, the combined logic relies entirely on targeting the former subpopulation. If it is removed from the project, the two logics will separate like oil from water. A range of practices are planned and implemented around this combined logic of diversity management and corporate social responsibility. The practices on a whole are labeled Danish diversity management within the project group, diversity management for short. This is the new proto-institution. Its underlying double logic is shown in Figure 6.

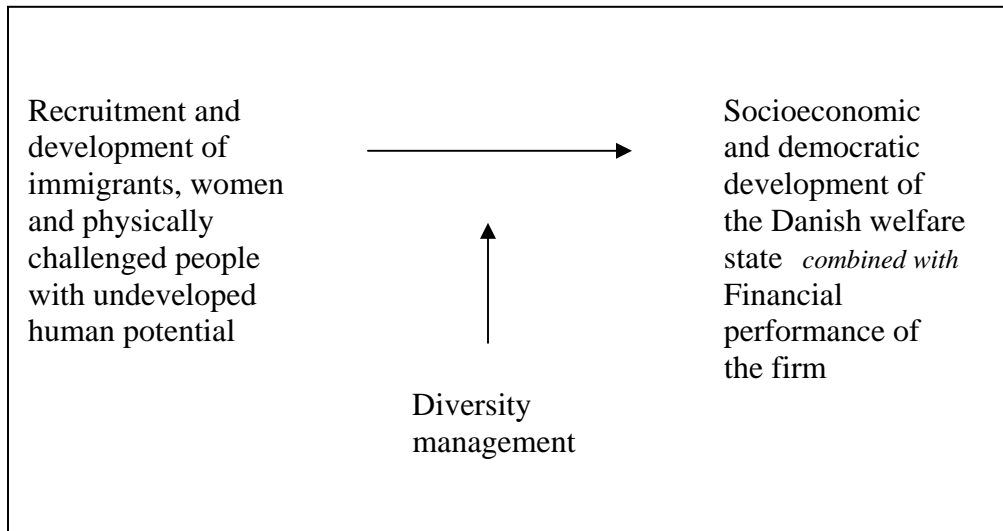


Figure 6: Combined logic underlying proto-institution of Danish diversity management.

**Proto-institution is diffused through networks**

Having developed a proto-institution in the form of Danish diversity management, the project group organizes workshops at firm level. It also informs top management about the concept, its applicability, and its merits. And diversity management is officially adopted at firm level:

When top management presents our HR strategy these days, they include themes such as globalization, internationalization, individualization, diversity management, the war for talent, etc. So it is really quite evident that diversity management is considered an important element. (Project manager)

Diffusion also occurs at the inter-firm level. Group members engage in an inter-firm network with other large companies in Denmark, one of which [Novo Nordisk] is widely recognized as a front runner in the domain of corporate social responsibility: “We made a network in October [2001] on diversity management. Novo [Nordisk] is part of that network and they are working seriously with diversity management now. IBM works with it as well” (External consultant). A trendletter on diversity management that Novo Nordisk publishes in January 2003 corroborates

the validity of this statement. This trend letter suggests that Denmark needs to catch up internationally on diversity management: "Trend letter readers may be surprised to discover that research indicates Denmark has the highest level of occupational segregation by gender; Danish public policy on immigration is compared to the United Kingdom as it was in the 1960's." (Novo Nordisk, 2003: 17). The Trend Letter also outlines a business case for diversity management and presents Canadian legislation as instrumental in bringing about diversity management (ibid: 18).

The concept of Danish diversity management is also adopted at the governmental level. Following a conference on labour inclusion (CSR) in September 2002, the Minister of Employment combines the logics of diversity management and corporate social responsibility in a formal speech: "The target groups in our labour inclusion policy differ with regards to gender, age, ethnicity, education, and physical and mental resources. It is, therefore, almost self-evident that they in some situations needs to be treated differently to give them equal opportunities!" (Minister of Employment, September 6, 2002). He thus links the means in the logic of diversity management (Figure 5) with the goal in the logic of corporate social responsibility (Figure 2). Furthermore, the Danish National Institute of Social Research (SFI), a key partner in the governmental CSR campaign, is asked in 2002 to conduct a literature review on diversity management in relation to its research program on corporate social responsibility: "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).

Two years later, the concept of diversity management is adopted at Copenhagen Business School (CBS), a public school of higher education. A conference is held on the topic in February 2004 (Center for Communication, 2004). In May, the CBS newspaper cites a CBS manager for being in the process of adopting diversity management as formal CBS policy (Hyldkrog, 2004: 10-11). A keyword search in the library of Copenhagen Business School generates a list of 16 publications on the Danish term for diversity management, all published in very recent years (May 2004). In comparison, there are 131 entries on the Danish term for corporate social responsibility (May, 2004). Except for two, the CSR entries begin to appear in 1992 and increases in numbers as the governmental CSR campaign is launched in 1994 and takes on momentum in the late 1990s. No Danish entries are listed under both ‘diversity management’ and ‘corporate social responsibility’ (yet).

At field level, a keyword search conducted in 2004 in the database *Infomedia* demonstrates a similar trend (see Table 2). The Danish newspaper *Berlingske Tidende* lists 171 articles on ‘corporate social responsibility’, the first of which appears in 1994. In comparison, only 18 entries are listed under ‘diversity management’. The first diversity management entry is in 2000 and by far the greatest majority of them are published in 2002. No entries are listed under both keywords, though several entries on diversity management refer to the inclusive labour force, and thus indirectly to corporate social responsibility. These data suggest that the notion of diversity management is slowly making its way into the field and that the proto-institution is a vehicle for this diffusion. Given the findings at lower levels of analysis, it is quite plausible that the proto-institution will manifest itself at field level in coming years.

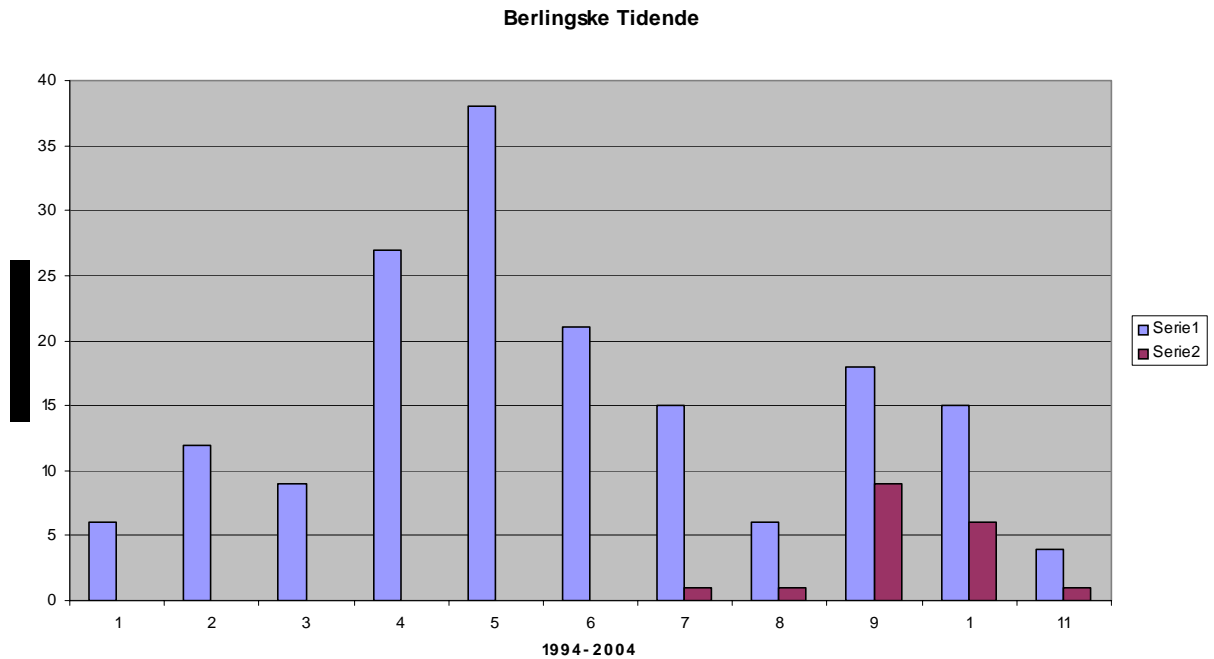


Table 2: Newspaper articles in *Berlingske Tidende* on corporate social responsibility (light) and diversity management (dark), (all years).

### CONCLUSION

This paper investigated the making of a proto-institution in multi-level qualitative case study. It examined how the proto-institution of *Danish diversity management* emerged as actors transposed the foreign institutional logic of diversity management and combined it with the local institutional logic of corporate social responsibility. The result is a proto-institution. Or, alternatively, two examples of modified institutional logics. The analysis suggests that the combined logics are presented differently depending on the context and the interests of subsequent users. The EU recognizes the proto-institution as an innovation, the Danish government integrates diversity management into their corporate social responsibility program, and the Canadian firm, where the expert on diversity management works, apparently adopts the



notion of corporate social responsibility as an integral part of its diversity management program as well.

At a conceptual level, the analysis outlines a micro-dynamics process of institutional innovation and change. The analysis traced the reconstruction of means-ends designations across multiple levels of analysis, showing how field characteristics, in interaction with dominant institutional logic, gave rise to a problem related to the integration of immigrants. Located in a heterogeneous field and following precipitating jolts, key actors embedded in multiple fields searched inwardly to find solutions to the field-level problem. The identified solution was an institutional logic from another field. Individuals transposed this foreign logic to the focal field with the aim of solving the problem. At the project group level, they rationalized and translated the transposed logic to make it fit the institutional context and current firm practice. However, important conflicts in normative institutions prevented the transposed logic from entering the firm and the field: profit-seeking behaviour and differential treatment are illegitimate practices in the focal field. To overcome this barrier, individuals combined the transposed logic with a local institutional logic to make it fit for diffusion in the focal field. The result was an innovation in the form of a proto-institution. This proto-institution was actively diffused to other firm actors, to collaborative inter-firm networks, and to governmental actors, presented alternatively as an innovation or a modification depending on the context. The proto-institution is now diffusing to the broader field, including the media and higher education.

The proposed theoretical contribution relates primarily to the interaction between different stages or 'modules' in institutional change. Each step in the case study is a theoretically established module that has been investigated in great depth in previous research. The value of this study is to show how these modules fit together in sequential order, at least in one case

study. The research confirms much previous research on institutional change processes, yet it also extends this literature by placing different components in relation to one another. While the literature already contains proposals for the sequential order of events, these proposals have apparently been developed deductively. The sequential order of events proposed in this study are not only based on empirical findings, they also give important insights into the micro-processes of interaction across levels of analysis. Moreover, the model can incorporate most of the insight of previous models of institutional change. The findings are based on one case study and should thus be subjected to further investigation so as to verify if the findings are generalizable to other contexts. Assuming generalizability, the findings give answers to two key controversies in institutional theory: actor intentionality and radical versus incremental change.

Regarding actor intentionality, the change process was clearly intentional on the part of certain actors. They actively transposed the logic and creatively fitted it to the focal field through a strategic combination with a local logic. They intentionally established the project, made collaborative inter-firm networks, and actively attempted to diffuse the proto-institution to the firm and field level. This process would probably not have been possible, though, had the field not contained multiple conflicting logics, and had it not faced a problem that it could not solve using existing institutional logics. Other facilitators include a field already in the process of changing dominant institutional logic, precipitating jolts occurring around the same time, EU funding availability, and key actors embedded in multiple fields. Hence, the process was obviously rational and strategic, yet also highly embedded in institutions.

If generalizable, the findings suggest that embedded actors may attempt to manipulate with existing institutions under certain favourable field-level conditions and if actors are familiar with different institutional logics in other fields. During the making of a proto-institution, actors

apparently do not ‘step outside’ incumbent institutions to propose a completely new proto-institution. One explanation for this finding is that actors are indeed embedded in institutions and unable to conceive of entirely new proto-institutions. They scan for solutions until they find one that is satisfactory. In this case, a solution appeared when actors scanned their individual cognition, finding a potential solution that eliminated the need for further search. Another explanation is that actors are indeed rational and able to contemplate different solutions, even entirely new ones, and then choose the most optimal one of them. For instance, it may be demanding to justify an entirely new proto-institution at field-level since it would entail convincing the majority of this field that the world operates in ways of which they were not aware. It is probably easier to build upon existing convictions, modifying them or adding new dimensions to them if it is sufficient for solving the problem. It is beyond the scope of this paper to explore the relative validity of these two explanations, in relation to the data as well as a more general level. If anything, the first explanation seems most plausible in relation to the interview material.

With regards to radical versus incremental change, the findings can be used to develop potentially generalizable propositions. They suggest that two institutions with similar underlying logics may be combined through simple bricolage. The change will then be incremental. If the underlying logics are different, yet not contradictory, they may also be combined with one another, potentially generating incremental change. Combination occurs simply by extending the logics to new levels of analysis or to other domains of practice. Radical change, on the contrary, will only occur if a conflicting logic enters the field and becomes dominant. If the conflicting logic is moderately different, it may be modified through translation so as to fit the focal field. If the two logics conflict in important ways, the potential for radical change is greater, but the entry

barriers to the field are equally higher. To enter a field, a conflicting logic must be justified in terms of its inherent rationality (change in cognitive institution), legitimized in terms of values and norms (change in normative institutions), and also appear useful to the focal field at the time of entry (relevance). Since this process may be very demanding at field level and may well take years to complete, the transposed logic can be combined with a local logic. Combination takes place through an overlap in practice, that is, through an identified overlap in the respective means of the two logics. This overlap must be significant enough to justify the attachment of a foreign logic. Hence, I propose that the more difficult it is for a foreign logic to enter a field, the more likely change is to be radical, if and only if the logic does indeed enter the field. This is likely to happen only if individuals, embedded in multiple fields and organized in collaborative networks, actively help it do so, *and* if the institutional context is primed by institutional heterogeneity, acknowledged problems, and precipitating jolts.

Given these findings, a proto-institution may be an intentional combination of divergent institutional logics. They are then eclectic constructs, built from established institutions, and highly malleable, particularly in their embryonic stage. They may become more robust as they progress in level of institutionalization. Until that happens, actors may reconfigure a proto-institution by adding new institutional logics to the construct, or removing elements that have become redundant to maintain the coherence of the construct. Proto-institutions remain embedded in the institutions from which they were generated, without altering, undoing or challenging original institutions in the process. If that is to occur, it will probably be at a later stage of institutionalization, perhaps when a new construct diffuses sufficiently to provide a real alternative to an established institution. Though these findings are preliminary and require validation, they do suggest some empirically derived answers to important questions in the

institutionalist literature. The proposed micro-dynamic model of institutional embodies an account of how intentional actors, institutions, and precipitating jolts interact with one another across multiple levels of analysis to generate a proto-institution that may diffuse and result in significant institutional change.

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## APPENDIX 1

### Interview guide (spring 2002)

#### Theme 1: Connection to the CSR work unit

This theme seeks to explore how the interviewee is tied to the work unit. I will explore this dimension by asking about the formal role he or she holds in the group, the background for joining the work unit, and the relationship between this project and the person's work trajectory or professional development. The purpose of this theme is to explore the network dimension of the work unit and to situate the individual within it. This theme will also allow me, I believe, to develop CSR questions that are tailored to the particular interviewee.

#### Theme 2: Involvement in the CSR project

The aim of this theme is to identify and explore the dimensions of the CSR project that carry most significance to the interviewee. What does the interviewee hope to be the outcome of this project? What is potentially the most significant contribution this project can make, and to whom, in what way, and with which rationale? Are there obstacles, and if so, how are they being addressed? Once I have identified the individual engagement, I will explore the background for it. Which past experiences, current thoughts, general insights, or societal preoccupations have led the interviewee to hold this position or have this particular engagement? Having gained an understanding of the background, I will explore the desired impact. How does the interviewee wish to see his or her individual engagement or thoughts reflected concretely in the CSR project? Is there an indication that the ideas are being implemented? And which, if any, obstacles have the interviewee encountered to the implementation of his or her ideas? This theme should give me a good understanding of the individual's orientation and attachment to the project. Given that ideas and engagements are dynamic, embodied processes, I do not expect the interviewee to give me fully elaborated and well-thought out answers. To obtain the most elaborate answers, I will ask questions that push the verbalization to a maximum without making interviewees feel uncomfortable.

#### Theme 3: Conceptualization and application of CSR

In this final theme, I will seek to explore how the interviewee connects the notion of corporate social responsibility to his or her ideas as expressed in theme 2. How does the interviewee understand the notion of CSR? How does CSR relate to particular terms brought up in theme 2? Which overlap and which contradictions are there between the notion of CSR and other relevant terms? Once I have explored how the interviewee conceptualizes CSR, I will ask to its application in practice. How does the interviewee perceive CSR to be applied in the project? Which ideas provide the foundation for this application? How would the interviewee ideally like to see CSR applied? And has the interviewee witnessed obstacles to this application? Once again, I expect the interviewee to be in the process of developing his or her thoughts about CSR. I will try to make the interviewee formulate as many conceptual ideas as possible by asking probing questions until I reach the interviewee's "conceptual frontier".