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A Socio-Historical Excursus in the Approach of Institutionalism

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Abstract: Beyond the classical boundaries of economic theory, the perspective of institutionalism in explaining economic processes concretises multiple researches in the sphere of the biunivo relationship between institutional quality as the main determinant of economic performance. Contributions in this field revolve around introducing into the analysis concepts and principles belonging to several social sciences, aiming at a trans-disciplinary optics, the only one meant to create the possibility of an integrative explanatory vision. Our approach, starting from a non-exhaustive approach of the institutions from the perspective of sociology, on the historical thread of the evolution of ideas, fits into the above-mentioned tendency, outlining the idea that the various fields of social analysis offer unexplored perspectives of classical economic theory, but mutually reinforcing, contributing to a better understanding of the internal laws of human behavior and the way it is grasped on the existing institutional framework.

Keywords: *institutions, social organizations, theory, institutional analysis, neoinstitutional approaches.*

1. Introduction

Although the terms "institution" and "organization" are used interchangeably in the current speech, it should be said that, according to conceptual delimitations in North's approach, institutions are rules, organizations are players (North, 1991: 4). The distinction seems to be of the utmost importance if we take into account the fact that the institutions (formal or informal) trample human behaviors, imposing a certain degree of coercion on their manifestation, while the organizations are structured on the existence of several individuals engaged by means common in pursuing their own goals (Ménard, 1995).

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Probably the confusion between the two terms is based on the fact that some institutions have an intrinsic and organizational component that allows them to function generating constraints with a semi-permanent character in terms of human behaviors (Donaldson & Preston, 1995; Miller & Banaszak-Holl, 2005).

But, it should be said that institutions should not be used to explain inertia and stability but to conceptualize the dynamic interaction between actors and structures (Geels, 2004).

2. Approach to institutions from a sociological perspective

In the following, we will achieve a non-exhaustive approach of institutions from a sociological perspective, the historical thread of the evolution of ideas.

From the point of view of sociological institutionalism, institutions are orders or patterns that have reached a certain status or property. This approach focuses on how institutional forms and practices can often be explained in a cultural way (Tabellini, 2010), the ability of cultural and organizational practices to shape actor's preferences, interests and identities. Thus, sociological institutionalism defines multinational institutions, including in the definition of informal norms and conventions along with formal ones.

Undoubtedly, the most significant conception of the institutions, which influenced the entire space of sociology during the 20th century, has its origins in the work of Herbert Spencer (1910), which saw in society an organic system that evolves over time. The adaptation of the system to the context in which it manifests itself is accomplished through the functions of its specialized "organs", structured as institutional subsystems. Spencer has devoted most of his work to the comparative study of these institutions, trying to draw general conclusions from comparing and opposing their ways of acting within different types of companies.

Spencer's fundamental concepts were adopted and developed by William Graham Sumner (1906) in his important *Folkways* treatise. For Sumner, "an institution is made up of a concept (an idea, a notion, a doctrine, an interest) and a structure" (Sumner, 1906; Davis, 1949; Cooley, 1956) and the structure provides a concrete form of the idea of an institution and provides the means to put the idea into practice. Manual evolution follows an ascending path, from individual activities to social group customs, then to morals and institutions. These institutions are gradual - evolve with slow steps through instinctive efforts over long periods of time - but

institutions can also be brought on stage as the products of an intentional and rational imaginative act.

Subsequent generations of sociologists have rejected strong biology / evolutionary analogies and functional arguments developed by Spencer and Sumner, while acknowledging the fundamental importance of institutions as the core subject of sociological studies. Thus, in his highly influential work in the mid-twentieth century, *Human Society* (1949), Kingsley Davis defines the institutions as "a set of interwoven customs, morals and laws, elaborated around one or more functions," adding that after his opinion, "the concept of institutions seems to convey better than any else the idea of segments or parts of a normative order." The design of institutions as functional arenas is also maintained in the contemporary concepts of organizational "field" or "sector".

Charles Horton Cooley (1956) and his followers emphasize the interdependence of individuals and institutions, the individual and social structures. Although large institutions - language, government, church, laws and customs related to property and family - seem to be independent of behavior and outside of it, they develop and maintain through interactions between individuals; they exist "as a habit of thinking and action, a predominantly unconscious, because it is largely common to the whole group... The individual is always both the cause and the effect of the institution."

Everett C. Hughes adopts and develops this interdependent model, intimately defining the institution as a "form of organization of a relative permanence and of a certain social type" (Hughes, 1936: 180), and establishes its essential components. Although institutions are continuity and permanence, they only exist to the extent that they are sustained and maintained by individuals: "Institutions exist in the global and standardized behavior of individuals" (Hughes, 1936: 319). His studies and essays are explained with explanations penetrating the innumerable ways in which institutions interact with the individual: by creating its identities, by shaping the course of life (career), by allowing permission to practice certain activities that are otherwise forbidden, and by providing a basis for argumentation by which to explain the mistakes that inevitably occur when someone performs a complex activity.

The European tradition of institutional analysis was triggered by Karl Marx, whose influence has penetrated into both economic and political sciences and sociology. Although Marx inspired a comprehensive and varied range of political theories and movements, of fundamental importance to institutional theory is Marx's polemic with the great German idealist

philosopher Hegel as well as the reinterpretation of the latter's conceptions. Hegel considered history to be the self-fulfillment, over time, of abstract ideas or of a spirit (Geist). This self-generating spirit is reflected in the objective world, which most of us think wrongly as the true reality. It is the task of the human being to overcome this state of alienation, in which the world appears to be something other than the spirit mentioned. It is well known that Marx simply reverses Hegel's argument.

For Marx, the material world is the real one, and the alienation that we feel is happening because mankind is alienated from itself within the existing political and economic structures. Marx, who developed his ideas in the first decades of the industrial revolution, considered the essential structures as economic. The productive activity had been transformed into compulsory labor. within a capitalist system, work could no longer be an expression of creative productivity, but simply an alienated work. The character and significance of labor and labor relations were - in his opinion - modified by the structures of oppression and exploitation. These structures - which also involve beliefs, rules and specific power ratios - are the product of the ideas and activities of human beings, but they appear as external and objective in the eyes of those who participate in them. Ideas and ideologies reflect and try to justify material reality, and not vice versa.

The other two important personalities in Europe who are involved in the sociological versions of the institutional analysis were Durkheim and Weber. French sociologist Emile Durkheim was preoccupied with understanding the process of changing the bases of social order that accompanied the industrial revolution. In one of his early works, which became a classic reference, the *Division of Labor in Society* (Durkheim, 1949), Durkheim considered that the collective order "is based on the conviction that action is rational and that order can be successfully negotiated individually" the social order being thus "the unintentional summation of the personal interests of individuals" (Alexander, 1983: 131-134). But when revising his demonstrations, Durkheim moves away from the utilitarian and individualistic explanation, emphasizing the collective normative frameworks that provide "non-contractual" contracts.

Durkheim's well-thought-out formulation emphasizes the essential role played by symbolic systems - belief systems and "collective representations" - along with commonly accepted cognitive schemes and cadres that, if they are not explicitly religious, nevertheless have a moral or spiritual character. These symbolic systems - systems of knowledge, beliefs and moral authority - are social institutions for Durkheim. "The institutions," writes Durkheim, "are a product of conjugal activity and

association whose effect is to "establish", to "institute" "outside ourselves certain ways of action and appreciation, which are initially subjective and individual. Institutions are therefore the "crystallizations" of Durkheim's early writings." (Alexander, 1983: 259).

The third major European personality that contributed to the institutional theory was Max Weber. Contemporary analysts of the phenomenon of institutions that claim to be closely to Weber, whom they consider their master of instruction, are more numerous than those who appeal to any other theorist of the early age. Although Weber did not explicitly use the concept of an institution, it is from all his writings that he is concerned about the ways in which cultural norms - which in fact cover a wide area, from traditional behavioral rules to constitutional systems or laws - define social structures and govern social behavior.

In elaborating his well-known *Wirtschaftssoziologie* (economic sociology), Weber adopted the institutional idea that the economy must assimilate historical information and adopt a comparative approach but, at the same time, he associated with Menger and the classical authors, claiming the value of the theoretical models allow the interested person to retrieve information from specific, historically determined systems, from which to draw some general conclusions and evaluate them.

Weber believed that economic sociology could create a bridge between the two areas, by focusing on historical circumstances and developing an analytical vision. He also suggested that, by extracting information from the specificity and complexity of concrete events, researchers could create "ideals" to guide and inspire comparative studies. If researchers would be careful not to confuse ideals with reality - for example, they would not argue that individuals will behave under all circumstances as "rational economic beings" - these models could provide useful orientative maps that guide the analysis and increase the understanding of the real world. More specifically, "Weber believes that rational behavior actually evolves throughout history, or in other words, for Weber - unlike contemporary economists - rational behavior is a variable, not an axiom" (Swedberg, 1998: 36).

In turn, American sociologist Talcott Parsons also attempted to synthesize the positions adopted by the most important early-stage theorists - and especially those of Durkheim, Weber - when he elaborated his volunteer theory of action. Like Weber, he tried to find a way of reconciling the objective and subjective approach of social action, highlighting that, although normative frameworks exist independently of a well-defined social act, analysts must also consider the attitude of the actors towards these. An

action system is considered institutionalized to the extent that actors involved in an ongoing relationship conduct their actions according to a common set of standards.

Judged from the perspective of the social analyst, institutions are properly seen as a system of rules that "regulate the reciprocal relationships of individuals" and defines "how relationships between individuals should be" (Parsons, 1990: 327). Contemporary theorists have observed several types of limits to Parsons' formulation. Alexander (1983: 259) concludes that although Parsons tried to develop a multidimensional approach of social action, his conception of institutionalization puts too much emphasis on cultural models, overestimated "the control by the values of the conditions". On the other hand, the importance of interests, pragmatic action and rational choice have been little emphasized. DiMaggio and Powell praise Parsons for his contribution to creating the "microfunds" of institutional theory by trying to understand the ways in which culture influences behavior, but they also criticize the fact that, in its conception of culture (DiMaggio and Powell, 1991: 17), and that it is not a matter of fact.

3. Neoinstitutional approaches in the field of sociology

Neoinstitutional approaches in the field of sociology start from a wide range of ideas, which originate in research fields such as cognitive psychology, cultural studies, phenomenology and ethnomethodology. More recent conceptual models prefer cognitive frameworks to normative and focus primarily on the effects of systems of cultural beliefs operating in organizations' environments and less on intra-organizational processes.

One of the first notable attempts to introduce neoinstitutional research into the study of organizations belongs to David Silverman, who proposed a theory of action within organizations. Silverman (1971) criticizes predominant organizational patterns, including contingency theory and Parsons and Selznick's structural-functional interpretations, considering that they are much too interested in stability, order, and system maintenance. Inspired by the research by Durkheim, Schutz, Berger and Luckmann, but also by Goffman, Silverman proposes a phenomenological perspective on organizations that would focus on systems of significance and the way they are built and deconstructed in social action. Silverman opposes the theory of action he proposes to conceptions of systems that dominated the era: "System analysis tends to see in behavior a reflection of the characteristics of a social system that contains a series of impersonal processes outside the actants and exerts their coercive force upon them. Stressing that action

derives from the significance that people associate with the actions of one another, the reference framework of the theory of action states that man is constrained by the way in which he himself builds reality at the social level" (Silverman, 1971: 141).

A further attempt to introduce new institutional debates into organizational sociology has proven to be more significant in this area. Two innovative articles that emerged in the same year have advanced neoinstitutional theory into the sociological study of organizations. The articles, written by Meyer and Rowan (1977) and Zucker (1977), as well as Silverman's work, are essentially based on Durkheim's studies, and specifically on Berger and Luckmann's views on the institutions.

Meyer and Rowan (1977: 350) adopt the view that "institutions are conglomerates of cultural rules." But not all cultural rules support organizations. Meyer and Rowan again emphasize the importance of beliefs subject to the requirements of reason, expressed in ways that specify the form necessary for the procedures to achieve specific objectives. Professions, nation states and the media, whose efforts support the development of a large number of organizations, are the engines of rationalization.

While Meyer and Rowan elaborated the general frameworks of the theory, Zucker (a student of Meyer) emphasized the "microfunds" of institutions. It highlighted the ability of cognitive beliefs to form a stable basis for behavior: "social knowledge, once institutionalized, exists as a reality, as part of the objective reality, and on this basis can be transmitted directly" (Zucker, 1977: 726).

Other remarkable contributions, those of DiMaggio and Powell (1983) and Meyer (1977), have developed the general perspective (on the institutional environment), which has become the dominant feature of the sociological study. DiMaggio and Powell have established the existence of three important mechanisms - coercive, mimetic and normative - through which institutional effects spread to a space of organizations and have emphasized structural isomorphism (similarity) considered an important consequence of competitive processes and institutional ones. And Meyer suggested that although all organizations are shaped by both technical and institutional forces, certain types of organizations suffer more from one another than others. Both pairs of authors have identified the "field" or the organized sector as a new level of analysis that is extremely suited to the study of institutional processes. Organizational fields help to delimit the media in which institutional processes take place.

4. Conclusion

The study has allowed us to highlight the fact that, starting from considering society as an organic system evolving over time, sociological optics evolves into the interdependence of individuals and institutions, trying to reconcile the objective and subjective approach of social action from the multidimensional perspective, by understanding how culture influences behavior, culminating in highlighting the impact of changes in institutional environments on organizational forms.

Thus, the appeal to the socio-historical perspective of institutionalism brings new valences to the way in which formal and informal institutions influence the behavior of organizations and individuals from an economic perspective, improving the understanding of the intrinsic specificity of this process and advocating a transdisciplinary approach.

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