

## **Organizational Change and the Clash of Institutional Logics**

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## **Organizational Change and the Clash of Institutional Logics**

The topic of organizational change is of central interest to those who seek to improve the performance of public organizations and as such has been a focus of recent reform programs including those associated with the New Public Management and reinventing government movements. The challenge of gaining theoretical purchase on this phenomenon remains however. Rather than a lack of theory, the problem is a proliferation of theories. In her overview of the change literature, Demers (2007) identifies fifteen alternative change “schools” each invoking a different theoretical framework. Of interest is whether any one framework is best suited for synthesizing these multifarious schemes into a grand theory of change. This paper outlines a theory of “institutional logics” as encompassing or subsuming many of the other theoretical approaches. The theory of institutional logics (TIL) most closely approximates Demers (2007) “cognitive” school of change but also features elements of the “neo-institutionalism” and “configurational” approaches.

### **Cognitive Theories of Change**

Central to cognitive theories of organizational change is the construct of “schema” as borrowed from the psychology literature. Related constructs include “paradigms,” (Kuhn, 1996), “frames”(Goffman, 1974), “ideologies” (Beyer, 1981), and “mental models” (Senge, 1990). The thesis is that, 1) members of an organization share a common schema and, 2) that organizational change entails the transition to a new schema.

A schema is a psychological construct whereby individuals “frame” and assign meaning to information they receive from the environment. Bartunek (1993, 327) comments, “Schemata are best understood as generalized cognitive structures or frameworks that people use

to impose structure on and impart meaning to some particular event or domain.” Hastie (1981, 44) describes a schema as a, “mental model” of the current "subjective world" of the information processor.”

Embedded in this construct are several key ideas. One, as the above definitions imply, is that sensory data from the external environment is processed via a preexisting knowledge structure or frame. Fiske and Taylor (1991, 98) comment as follows: “Schemas facilitate what is called top-down, conceptually driven, or theory-driven processes, which simply means processes heavily influenced by one's organized prior knowledge, as opposed to processes that are more bottom-up or data-driven.” Implicit in this description is that people will seek to fit new information into an existing knowledge structure. This may result in the screening out of information not consistent with that structure and/or the screening in of information that is consistent with the structure. A third key idea related to the schema construct is that humans process information in a unitary rather than an atomized manner consistent with Fiske and Taylor’s description of the process as “conceptually driven” rather than “data driven.” A conclusion is that humans do not process information in an objective fashion. Schema theory is therefore compatible with an interpretivist as opposed to an empiricist epistemological stance.

### ***Collective Schemata***

From the cognitive perspective, organizational change is presumed to occur in a manner somewhat similar to changes in scientific “paradigms” as theorized by Kuhn (1996) in *The Structure of Scientific Revolutions*. Organizational members are presumed to share a common schema just as Kuhn posits that members of a scientific community share a common paradigm, which he defines as, “the entire constellation of beliefs, values, techniques, and so on shared by

the members of a given community” (175). Kuhn’s thesis is that paradigms tend to be self-perpetuating to the extent that data that appear not to be consistent with an existing paradigm will either be rejected or interpreted in ways that preserve consistency. As anomalies accumulate and as a new paradigm that better explains those anomalies is presented, a shift in paradigms occurs. Similarly, organizational change may occur when an existing schema is found inadequate or defective.

In their explanation of change processes in organizations, Greenwood and Hinings (1988) use the term “interpretive scheme,” which, similar to paradigm, represents a shared schema or knowledge structure. Greenwood and Hinings (1988, 295) posit the existence of multiple interpretive schemes each associated with a specific “design archetype”: “A design archetype is...a set of ideas, beliefs and values that shape prevailing conceptions of what an organization should be doing, of how it should be doing it and how it should be judged, combined with structure and processes that serve to implement and reinforce those ideas.” In any one societal sector, organizations will tend to conform to one of a small number of archetypes perceived as legitimate by that community. Greenwood and Hinings highlight the institutional environment rather than the technical environment as a determinant of structure.

As one example, Greenwood and Hinings (1993) contend that British municipalities during the 1970s and 1980s tended to conform to either a “professional bureaucracy” or a “corporate bureaucracy” archetype. In a professional bureaucracy, “Recruitment and career development systems emphasized the importance of professional qualification...Compensation and appraisal system focused upon performance of professional activities....and the resource allocation mechanism was an incremental mode of budgeting.” In a corporate bureaucracy, in

contrast,

Recruitment at the highest levels emphasized general management competence combined with professional experience and incentive systems rewarded corporate rather than professional contribution. Career systems were altered to facilitate movements across professional boundaries. The resource allocation system encompassed rigorous programmatic...analysis and review (299).

In Greenwood and Hinings' (1988) formulation, organizational change occurs when an organization moves from one archetype to another and accordingly and from one interpretive scheme to another.

### **The Nature of Institutional Logics**

There is a close association between institutional logics and interpretive schemes as defined by Greenwood and Hinings (1988). Both represent collective schema or knowledge structures, both are subject to being displaced, at least in part on the basis of legitimacy considerations, in both instances organizational change is defined as a change in interpretive scheme/archetype or logic. Both interpretive schemes and logics gain legitimacy by virtue of the fact that they are institutionally embedded.

However, there are areas of difference between Greenwood and Hinings' (1988) formulation and the theory of institutional logics (TIL). Consistent with the configurational nature of interpretive schemes, Greenwood and Hinings posit that at any one time, an organization will adhere to one or another scheme substantially to the exclusion of other schemes. In a 1993 (Greenwood & Hinings, 1993, 1058) article, they offer as hypotheses;

- “organizations tend to operate through structures and systems that are manifestations

of a single, underlying interpretive scheme: they exhibit archetypal coherence.

- “Organizations tend to remain within an archetype rather than move between archetypes.”

Whereas Greenwood and Hinings highlight archetypal stability, in TIL the emphasis is on the instability of any particular organizational form. That instability is a consequence of the nature of institutional logics. As discussed further below, in any one organizational setting, multiple, alternative logics are available. Stability, to the extent it exists, will be contingent on the strength of a particular dominant coalition, the degree to which the logic on which that coalition relies is accepted by key stakeholders, and the effectiveness of efforts by challengers to invoke alternative logics that have the potential to disrupt the organizational status quo.

### *Logics Versus Schemata*

The construct of “institutional logic” can be traced to a seminal paper by Friedland and Alford (1987). Friedland and Alford’s central premise is that the major institutions of Western Society are characterized by alternative “logics” each setting forth the appropriate ends of human activity as well as suitable means of achieving those ends. Institutions cited by Friedland and Alford in this regard include the “capitalistic market,” the “bureaucratic state,” “democracy,” the “nuclear family,” and “Christian religion.” Friedland and Alford identify the core logics associated with these institutions as follows:

The institutional logic of capitalism is accumulation and the commodification of human activity. That of the state is rationalization and the regulation of human activity by legal and bureaucratic hierarchies. That of democracy is participation and the extension of popular control over human activity. That of the family is community and the motivation

of human activity by unconditional loyalty to its members and their reproductive needs. Implicit in Friedland and Alford's discussion is a conceptualization of institutions as cognitions. Each of these different institutions represent a belief system emphasizing certain values. Those values are perpetuated via routines, ceremonies, and the use of symbolic devices as enacted in the day-to-day activities of participants.

A key insight offered by Friedland and Alford is that by virtue of their status as cognitions, multiple institutions will be simultaneously present in any one organizational setting. Thus an organization featuring elements of a bureaucratic logic as characterized by hierarchical accountability may also incorporate elements of a professional logic in which those with the appropriate credentials are permitted autonomy in the conduct of their duties. Some organizations incorporate a democratic logic in which appeal is made to allow employees a say in how the work is processed. Which of these alternative logics are manifest in the organization's structure will be largely a consequence of politics by which is implied the use of power to achieve personal or group ends. The outcome of that political struggle in turn will be shaped by perceptions of the legitimacy of alternative organizational arrangements.

A difference between interpretive scheme and logic is that a logic may serve as the basis for a particular organizational configuration but there is not an equivalence between a particular organizational form and a logic as exists between an interpretive scheme and an archetype. Thus whereas Greenwood and Hinings associate the "professional bureaucracy" with a particular organizational form, with TIL professionalism and bureaucracy represent alternative and potentially contradictory logics. Those contradictions in turn, lend a destabilizing element to the form which can be exploited politically.

### *Organizations and Disequilibrium*

Implicit in Greenwood and Hinings (1988) model and in the construct of archetype is an equilibrium-seeking dynamic. In employing the archetype construct, they build on the work of Miller (1987, 686) whose model of organizational change centers on quantum mechanics and who posits that organizations will tend to conform to certain “configurations” of “strategy, structure, environment, and leadership.” According to Miller, “Configurations, through their imperatives, have an internal logic, integrity, and evolutionary momentum of their own, as well as a central, enduring theme that unifies and organizes them. This gives them great stability” (697).

In placing emphasis on the propensity of organizations to achieve a state of equilibrium Miller (1987) as well as Greenwood and Hinings (1988) are in conformance with a tenet of contingency/open systems theory. Pursuant to the principle of homeostasis, organizations, like biological organisms are presumed to adjust to and therefore remain in equilibrium with the external environment. Internal systems are also presumed to remain congruent with each other.

Silverman (1970) identifies a propensity on the part of open systems and contingency theorists to “reify” organizations by attributing change to natural exogeneous forces. In this, he contends, there is an undue disregard for the preferences and agency of participants. He states, “Organisations do not react to their environment, their members do” (35). Child (1972) argues that contingency theory is, “inadequate... because it fails to give due attention to the agency of choice by whoever have the power to direct the organization” (2). Both Silverman and Child highlight the importance of politics as a determinant of structure. Whereas contingency theorists argue that considerations of efficiency and competition will eventually drive organizations to

adopt structures congruent with key features of the environment, Child maintains that the dominant coalition may prefer a configuration that allows them to retain their authority even when the result is less than optimal in terms of performance.

TIL is in conformance with the ideas of Silverman (1970) and Child (1972) in positing the importance of political activity as a determinant of structure. With TIL, the simultaneous presence of multiple, potentially-contradictory logics presents opportunities for political exploitation. Friedland and Alford (1987, 256) state that, “institutional contradictions are the bases of the most important political conflicts in our society; it is through these politics that the institutional structure of society is transformed.” Their argument is that individual groups or coalitions seeking to change the status quo will promote changes that embody principles or values associated with a particular logic. As an example, Friedland and Alford cite efforts by worker groups to promote, “

democratization of the workplace and the extension of ‘citizenship’ rights of due process and even participation to the employment relationship in private firms. Workers attempt to redefine the social relations of production as defined by democratic rights of citizenship rather than contractual property rights (257).

Bacharach and Mundell (1993) provide an example from the educational sector of how logics can be employed for political purposes. They argue that the debate over school reform ultimately is over which of two alternative logics should prevail; “a professional logic of autonomy” (427) or “a bureaucratic logic of accountability” (427). Teachers and their allies including “site-based staff (e.g. principals)” promote reforms that enhance professional autonomy while “district central office staff” prefer a bureaucratic logic of action. Merit pay for

teachers, for example, is consistent with a “bureaucratic logic of accountability.”

### ***Organizational Form as Emergent***

The political contest depicted by Bacharach and Mundell (1993), generally occurs over matters of policy and procedures such that organizational structure represents a negotiated outcome. They comment (433);

The specific issue (manifestation) of the underlying logics of action that are being fought over may vary.... One year the issue may be a specific policy (e.g., merit pay), and the next it may be more ideological (e.g., who controls the curriculum). The issue may be goal oriented (e.g., changes to the school's mission statement) or it may be means oriented (e.g., keeping students in class by a strict attendance system or by using hall monitors and passes). Whether policy or ideological, goal- or means oriented, each issue is part of a larger negotiation between advocates of professional and advocates of bureaucratic logics of action.

This conceptualization stands in contrast with that of Greenwood and Hinings (1988, 301) for whom organizations tend to conform to certain design archetypes with each archetype representing a configuration of elements that conform to an exogenous requirement for “internal consistency and coherence.” While they allow for the possibility that “discordant elements” may be present in an organization, their model presumes that organizations will tend toward conformance and hence stability. With TIL, political dynamics result in structures that represent a compromise between the interests of different organizational stakeholders. Structures are therefore in a perpetual state of “play” as arrangements are being negotiated. This perspective is consistent with that of Strauss (1963) for whom “social order,”

... is not simply normatively specified and automatically maintained but is something that must be 'worked at' and continually reconstituted. Shared agreements that underlie orderliness are not binding and shared indefinitely, but involve a temporal dimension implying an eventual review, and consequent renewal or rejection (Buckley, 1967, 149).

This ongoing contestation over structure results in a state of disequilibrium. Where one or another stakeholder or coalition dominates, the arrangements may be stable in the sense that they are of long duration. However, even in this situation, secular trends such as the growth of new technologies, increasingly competitive markets, a more educated workforce or even shifting perceptions of the relative legitimacy of alternative ways of operating represent potentially destabilizing factors. Those seeking to challenge the status quo will seek to invoke alternative logics compatible with such developments

### *Institutional Logics Versus De Novo Logics*

Central to TIL is that logics employed at the organizational level are institutionally derived. Thus for example, measures of customer service derive from the institution of the market and organizing employees into teams derives from the institution of democracy. Conceptually, there is nothing to preclude a group from devising a reform logic not ostensibly related to a particular institution. However, in doing so, that group would lose the advantage of the legitimacy accorded existing, institutionally-embedded logics. Seo and Creed (2002, 236) comment;

change agents are unlikely to invent totally new frames or logics of action unfamiliar to other participants, because to do so would make it difficult and costly to gain consensus and support from those participants. Instead, agents are likely to adopt a frame or set of

frames available in the broader, heterogeneous institutional context—a frame that is sufficiently incompatible with the existing institutional arrangements to generate a fundamental departure from the past while also sufficiently resonant with some existing societal systems of belief to mobilize substantial support and resources from other participants.

A logic may take the form of a “vision” as presented by the leader of the organization. Beer and Walton (1987, 348) state that in creating a vision, the leader, “assigns meaning and significance to events, expectations, and the vision, and in so doing, structures a cognitive world.” An effective vision will present a compelling case for change toward a desired future state. In making this case the leader can facilitate understanding and acceptance by invoking ideas and values of which participants are already aware by virtue of their association with major societal institutions.

### *Logics and Inertia*

Members of the cognitive school of change highlight the inertial qualities of schemata or interpretive schemes. They argue that the nature of schemata is such that information that is not consonant with the prevalent interpretive scheme will be screened out or ignored. Demers (2007, 64) comments as follows;

This literature suggests that interpretive schemes are very difficult to change significantly. First, because they are organizing devices allowing us to categorize information, they constrain thinking in novel ways about situations (Weick, 1979). Furthermore, they focus our attention on certain elements at the expense of others, thereby neglecting information that could challenge our worldview (Kiesler & Sproull,

1982). Second, mental frameworks allow us to economize on time and effort and reduce our anxiety by providing us with a way to make sense of the world. Therefore, a lot of effort goes into trying to incrementally modify our mental structures to avoid having to discard them (Hedberg & Jonsson, 1977).

Logics may also have inertial tendencies but not as a consequence of a lack of awareness on the part of participants of alternative conceptualizations of their social reality. TIL posits that even where a coalition relying on a particular logic remains in power over a long period of time, there are simultaneously present multiple, potentially contradictory logics such that the dominant logic is always subject to contestation. Turbulence in the environment enhances the prospect that the dominant coalition will be challenged. Groups seeking to challenge the status quo can point to external exigencies that warrant a shift in structure or in strategy. The competitive dynamic that prevails in the private sector is conducive to change and hence instability. In the public sector, changes in the political environment may trigger internal realignments. The IRS was made subject to attack after the Republicans took the majority in Congress in 1994. Developments in the technological sphere were also a destabilizing factor. The agency's inability to manage a major data systems modernization project provided an opportunity to force a major organizational restructuring. The dominant coalition consisting of members of the career service and Democratic members of Congress was subject to attack by Republican members of Congress who invoked a market-based, service oriented rhetoric.

### **Three Case Studies**

The IRS is one of three case studies presented below to illustrate the ideas presented above. One case study is presented at each of three levels; group, organization, and sector. The

group is an academic department in a large university which adopted a system of responsibility-centered budgeting. The organization is the IRS as referenced above and the sector is the federal executive branch during the period of the National Performance Review. The cases highlight that change at subsidiary, group and organizational levels is contingent on change at higher, sectoral levels.

### ***Responsibility-Centered Budgeting at the University of Illinois - Chicago***

Responsibility-center budgeting (RCB) as an approach to resource distribution within universities has become increasingly prevalent in recent years.<sup>1</sup> With RCB, individual colleges and/or departments keep a portion of the tuition- and grant-based revenue that they generate. RCB stands in contrast with the traditional, appropriations-based model in which departments are substantially assured of receiving an allocation approximately equivalent to the amount received the prior year independent of enrollment considerations.

Although design details differ, the essentials of RCB remain similar across campuses;

- Each college receives a percentage of the student tuition revenue generated by that college. A direct link is thereby made between the amount of revenue generated by and the amount of resources allocated to each college.
- Colleges are allowed to carry budget surpluses forward to the next fiscal year. Colleges are also obligated to repay any deficits incurred.
- The university imposes a “tax” prior to distributing tuition and research revenues to the colleges. The proceeds from this tax cover unallocated overhead costs or are distributed to colleges to accommodate imperfections in the “market-based” approach and to promote university priorities.

RCB represents a market-based approach to budgeting in which each college/unit becomes the equivalent of a “profit center,” responsible managing its own revenues as well as expenses (Priest et al., 2002).

The University of Illinois – Chicago instituted RCB in 2006. The College of Urban Planning and Public Affairs (CUPPA) of which the author’s department is part determined that RCB principles would be extended to the department level such that each department’s budget is tied directly to the amount of tuition paid by students enrolled in the department’s programs.

The fundamental clash that has occurred with the introduction of RCB within UIC and CUPPA has been between a traditional, professional orientation towards the function and purpose of the academy and a market orientation induced by RCB. This clash is apparent in several realms of activity including student recruitment. Under the traditional appropriations model, the department’s budget was largely independent of enrollment and relatively little effort was expended on student recruitment. With RCB however, and with General Revenue Fund (state appropriation) monies in decline, the Department of Public Administration is in a posture where additional resources can be obtained only by increasing student enrollment. The department has accordingly devoted significant additional resources to the recruitment and marketing function including the creation of a position dedicated to that function, a redesign of the departmental web site, and the development of marketing materials.

The emphasis on marketing and recruitment represents a fairly dramatic departure from the professional logic which has traditionally guided departmental activities. The professional frame presumes that prospective students decide among programs on the basis of the reputation of the department and its faculty. The preeminent objective is to build and sustain that

reputation by increasing the number of tenure-track faculty and by generating high levels of research activity on the part of those faculty. Implicit in the new emphasis on marketing is an acknowledgement that prospective students decide among programs on the basis of multiple considerations of which departmental reputation is but one. Also important are factors of cost, convenience, placement assistance, access to campus, etc.

Implicitly if not explicitly, students take on the role of “customers” in the new market-oriented system. There are incentives to expand programs offerings as a means of enticing additional students to enroll. At UIC a new concentration in nonprofit management has been added in part on the basis of enrollment considerations. A new certificate program has been created with another under development. The courses for both certificate programs will be offered online in part as a means of expanding the potential market and in response to student interest in and demand for online offerings. The switch to online teaching requires faculty to master a new set of pedagogical techniques which can, at least in the short term, adversely impact research productivity.

The role of the department head has also changed with RCB. Traditionally, the managerial responsibilities of the department head were limited to oversight of staff, faculty hiring and promotion, and curriculum design and implementation. With RCB, the department head gains responsibility for insuring that the department will generate sufficient revenue to not only meet its expenses but to grow. Significant time and attention has been devoted to the identification and implementation of new means of revenue generation. As one recent example, negotiations between UIC and a foreign government to enroll a cohort of government officials in the MPA program were successfully consummated.

In a TIL context, the new market logic associated with RCB represents a distinct contrast with the professional logic which has long been dominant internally. Appeals to both logics have been made during deliberations over strategy. Proponents of a professional logic argue that limited resources should be allocated to adding new faculty lines whereas a market logic mitigates in favor of building recruitment capacity. As articulated above, the two logics represent alternative causal models; one presumes that enrollment is primarily a function of professional reputation while the other that enrollment is contingent on a mix of factors of which reputation is only one.

### ***IRS***

In a recent report by Booz Allen Hamilton (Booz, 2009) former IRS commissioner Charles Rossotti is cited as one of three former government executives deemed to have successfully executed an effort at organizational transformation. Rossotti served as commissioner of the IRS from 1997 to 2002. Shortly after becoming commissioner in 1997, Rossotti released his vision of how the IRS should administer the tax system in a report entitled *Modernizing America's Tax Agency (Internal Revenue Service, 2000)*. Integral to Rossotti's vision was an appeal to a market-related ideas and concepts.

For example, in *Modernizing America's Tax Agency* (2000), Rossotti affirms the importance of providing high quality service to taxpayers. Traditionally, the IRS placed emphasis on its enforcement function rather than its service function (Sparrow, 1994). Under Rossotti's direction, the IRS developed a new mission statement which highlights the importance of good service; "Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to

all.”<sup>2</sup> Consistent with the mission statement, the first of three strategic goals listed in *Modernizing America’s Tax Agency* is “Top quality service to each taxpayer” (5). The report states that progress towards this objective would be assessed according to various measures of customer satisfaction including that generated by the American Customer Satisfaction Index.

One vehicle for promoting improved quality of service was the creation of four new customer-oriented operating divisions. Pursuant to the provisions of RRA’98, Rossotti proposed scrapping the 50 year old functionally-based organizational structure in favor of one centered around four operating divisions each addressing the tax needs of a distinct group of customers. Rossotti (Internal Revenue Service, 2000, 33) explains this proposal as follows:

The IRS’ modernized structure is similar to one widely used in the private sector: organized around customers’ needs, in this case taxpayers. Just as many financial institutions have different divisions that serve retail customers, small to medium businesses and large multinational businesses, the taxpayer base falls naturally into similar groups

Rossotti also endorsed the concept of bringing individuals from the private sector to high ranking positions. His idea was to pair an insider and an outsider at the top of each operating division and at the top of the IRS itself. In *Modernizing America’s Tax Agency* (2000, 39), Rossotti comments as follows:

The modernized organization, modeled after well-established structures and practices in other organizations, creates roles that are more comparable to those on the outside. This increases the possibility of selectively recruiting external executives with appropriate skills and experience. This model also makes the IRS more attractive to potential

executive recruits. Their skills and experience will complement the essential skills and experience of executives developed internally, to the benefit of both.

The market logic which Rosotti employed and which

Contrasts between Rossotti's program and the traditional "bureaucratic" and enforcement-oriented approach to tax administration are stark. The idea of appointing outsiders to top positions was an anathema to an organization that had traditionally been characterized by a high degree of insularity (National Research Council, 1996). A reduction in managerial layers with a consequence that field office heads had to engage in tax work rather than serve exclusively in an administrative function was contrary to a culture in which districts were described as "fiefdoms" and directors as nobility. The traditional structure accorded a high level of autonomy to field personnel including district directors and service center directors that impeded the implementation of initiatives such as Industry Issue Resolution whereby tax issues could be resolved across an entire sector of the economy (Rainey & Thompson, 2006).

Old guard within the agency including high-ranking members of the senior executive service opposed many elements of Rossotti's program including the centralization of authority at the national/division office level and away from the district level, the abolition of the district director positions long regarded as the apotheosis of an IRS career, the delayering which forced managers and executives to be involved in tax work, and the appointment of individuals from outside the agency to top positions. Rossotti overcame the resistance from this element through the use of an external consultant to drive the process, inserting elements of his program into law with the complicity of allies in Congress, forcing opponents into early retirement and appointing individuals supportive of his program to top-level positions.

## ***Reinventing Government/National Performance Review***

In *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector From Schoolhouse to Statehouse, City Hall to the Pentagon*, Osborne and Gaebler (1992) rely heavily on a market rhetoric as a basis for their ideas for reforming government.

Government should be more “entrepreneurial” they argue by promoting competition between service providers, by putting energy into “earning money not simply spending it,” and by using “market mechanisms” rather than “bureaucratic mechanisms.” Some of these same themes were picked up in Vice President Gore’s *Report of the National Performance Review* (1993) which also invoked the term “entrepreneurial government.” A paragraph from the introduction states,

Effective, entrepreneurial governments insist on customer satisfaction. They listen carefully to their customers...They restructure their basic operations to meet customers’ needs. And they use market dynamics such as competition and customer choice to create incentives that drive their employees to put customers first” (6).

In promoting specific reforms however, those invoking a market logic had to confront the reality that key stakeholders act according to political and/or bureaucratic logics elements of which in some respects are not congruent with a market logic. For example, a market logic dictates that customer service be a priority as a means of encouraging repeat business and thereby generating additional revenue. This logic doesn’t hold in government where most agencies are monopoly providers. Further, key overseers including members of Congress are driven not by profit considerations but by electoral considerations. Members are unlikely to devote limited resources to improving service quality when few if any electoral benefits are likely to accrue as a result.

The Social Security Administration (SSA) provides an example of how a bureaucratic logic ultimately prevailed over a market-oriented logic with regard to the priority accorded customer service. In response to the reform dictates of the Clinton administration the SSA launched an initiative to “reengineer” the disability claims process. In accordance with reengineering themes, a prominent purpose was to improve the quality of service provided clients by creating a position the position of “case manager” to keep the client informed of the status of his/her claim throughout the process.

In 1997, SSA launched a pilot project to test the Disability Claims Manager (DCM) concept and in 2002, the GAO reported that SSA had decided as a result of the testing not to proceed with the DCM despite positive results with regard to customer satisfaction, speed of claims processing and employee satisfaction. The report states that at the test sites;

- “Claimants served by disability claim managers reported greater satisfaction than claimants served under the traditional process” (GAO, 2002, 11).
- “Disability claim managers processed DI claims an average of 10 days faster and SSI claims an average of 6 days faster than similar claims processed under the traditional process” (11).
- “Serving as a disability claim manager improved the job satisfaction of more than 80 percent of employees serving in that role.”

On the other hand, “SSA estimated that claims processing costs were 7 percent to 21 percent higher under the Disability Claim Manager initiative than under the traditional process...SSA also determined that it would cost more to maintain the staff skills and the infrastructure required by the Disability Claim Manager initiative” (13). Ultimately, service considerations were subordinated to cost considerations as a bureaucratic logic would dictate. The benefits accruing

to the agency as a consequence of service improvements were of secondary consideration relative to considerations of cost. Improved quality of service was also a secondary consideration for members of Congress for whom a political logic is dominant. During congressional hearings on the disability claims redesign, members made explicit their concern that the changes not increase overall costs.

Political considerations were ultimately at the root of the demise of other “good management” recommendations included in the NPR report (Gore, 1993). One recommendation for example was to, “minimize budget restrictions such as apportionments and allotments” (19) which are regarded as members of Congress as of electoral value. Congress also declined to, “allow agencies to roll over 50 percent of what they do not spend on internal operations during a fiscal year” (20). Such a change would have contravened an appropriations process through which Congress is able to exercise control over agency expenditures.

### **The Theory of Institutional Logics and Public Management**

The TIL provides an alternative frame in which several issues central to the discipline of public management can be understood and interpreted, for example with regard to the politics-administration dichotomy. Part of the discussion has been how to delineate the respective spheres of activity in which one or the other logic should appropriately dominate. In personnel matters there are discussions of what positions appropriately qualify as policy making or “exempt” and which should be assigned to career personnel (Pfiffner, 1999). With TIL, the discussion is understood as inherently political such that any resolution is possible as a consequence of a political contest rather than any objective analysis. The essential dynamic is that of a “game” (Lynn, 1987). In this contest, administrators will seek means of preserving as

much autonomy in the conduct of their duties as possible while the politicians seek to expropriate as much decision making authority for themselves as the law, resources and acceptable practice permits. Politicians gain through the imposition of systems, decision rules, procedural requirements; administrators gain largely as a consequence of proximity and an “irreducible margin of liberty” (Crozier & Friedberg, 1980) enjoyed by the administrator as a consequence of organizational size and the nature of the duties involved.

In a TIL framework, differences between the public and private sectors can be interpreted as one of logics. As Chubb and Moe (1988) make apparent in their analysis of the relative effectiveness of public and private schools, these differences are institutional in nature. A core difference they argue is that whereas managerial autonomy is necessary for survival in the private sector, such autonomy is largely denied public managers. In the public sector, elaborate constraints are placed on school administrators in the form of both laws and rules. Institutionally, these rules serve the important purpose of democratic accountability. Operationally, however, these rules deny administrators the autonomy needed to effectively respond to the needs of students and parents. Chubb and Moe comment as follows;

The system, in short, is inherently destructive of autonomy. Politicians have the authority to shape the schools through public policy, and, precisely because they have this authority, they are consistently under pressure from interest groups to exercise it. It is in their own best interests to impose choices on the schools (1069).

Private schools in contrast, compete in a market environment. To survive in this environment, schools must be responsive to their customers, i.e. students and their parents. Responsiveness can be achieved by granting substantial discretion to those who actually deliver

the service. A conclusion is that the denial of managerial autonomy is central to the institutional logic that generally prevails in the public sector. A consequence according to Chubb and Moe is that reforms promoting school autonomy or strong leaders as principals “cannot succeed” (1085) because;

Politicians and bureaucrats have little incentive to move forcefully in these directions.

Their careers are tied to their own control over the schools and they are unavoidably responsive to well-organized interests that have stakes in the system’s capacity to impose higher order values on the local schools. Restricting autonomy is what democratic control is all about. (1085).

The performance measurement movement is also suited for analysis in a logics framework. Ultimately, performance measurement reflects a market-based logic. It is an instrumental logic in which public organizations are valued only on the basis of what they produce or accomplish. The analogy is to the purchase of goods with the political overseer as buyer and the agency as provider: in return for an appropriation specific “deliverables” in the form of performance objectives are specified. By extension if the agency fails to meet its objectives, the overseers can reduce or eliminate funding for a program. However, a political logic which generally prevails, would dictate a need for overseers to be responsive to the demands of stakeholders for whom program cuts may be a threat. Measures become relevant primarily as rhetorical device in the contest between program supporters and opponents.

### **Conclusion**

Notwithstanding the attempt here to articulate a theory of organizational change, puzzles remain. For example, if organizational change is defined as a change in the dominant logic, how

do we know when such change has occurred? Weick and Bougon (1986) outline a process for assessing the “cognitive map” of an organization similar to the dominant logic defined here. However TIL posits the presence of multiple organizational logics such that determining the dominant logic would require not only the mapping of each logic but an assessment of how widely each was shared.

Such issues lead to concerns about falsification: Can the presence or absence of change be assessed? Can the presence of institutional logics be empirically refuted? Ultimately, TIL may succeed less as a theory than as an “heuristic” (Lynn, 1996) that provides insight into ongoing public management puzzles. The issue of structure vs. agency serves as an example. In TIL, structure provides a means of reinforcing a logic which may otherwise be contingent. Charles Rossotti had allies in Congress insert in the IRS Restructuring and Reform Act of 1998 a provision directing the agency to adopt a structured centered on customer-oriented operating divisions. By embedding this provision in law, Rossotti insured the durability of the service-oriented, market-based logic he was trying to promote. He similarly anchored the system of “balanced” measures including customer and employee satisfaction as part of the Code of Federal Regulations. Those within the agency supportive of Rossotti’s program were advantaged in the struggle over his legacy by the status these provisions gained as elements of law and regulation. If TIL can provide actionable insights into matters such as these it can contribute to the public management dialogue as theory or heuristic.

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<sup>1</sup> Responsibility-center budgeting (RCB) as an approach to financial management in higher education originated at the University of Pennsylvania in the early 1970s (Whalen, 1991). Other early adopters were the University of Southern California (Curry, 1991), Indiana University (Gros Louis & Thompson, 2002), the University of Minnesota (Hearn et al., 2006), and the University of Michigan (Courant & Knepp, 2002).

<sup>2</sup> Charles Rossotti, *Modernizing America's Tax Agency*, p. 1