

# Diversification and Unification of Institutional Logics within Communities

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## Abstract

Research on institutional logics indicates that individual action is, to a great extent, determined by the social structure in which behavioral patterns are defined through interaction. However, the state of conditions whereby diversification of institutional logics originating from communities resided in a distinct geographical area has not been explored in detail. In this study, we develop a conceptual framework to depict the consequences of interaction between communities composing a certain type of local population and the characteristics of institutional logic diversification – unification processes that appear within these communities. The degree of interaction among local populations can be considered to have a major impact on the unification – diversification processes of logics. Taking the variety of degrees of interaction between communities into consideration, the antecedents of logic unification and diversification processes are investigated. Broadly, institutional logics achieve superiority by higher levels of interplay among populations. While increased interaction results in more competitive advantage and power for potentially dominant types of institutional logics embedded in specific communities, the amounts of resources available and the nature of institutional processes influence logic dominancy.

## Introduction

Initial studies about institutional logics bring forth symbolic systems and socially constructed understandings that inhibit or encourage human behavior (e.g. Bourdieu, 1990; Friedland & Alford, 1991). This stream of research is expanded by theorists who go further than defining logics as belief systems that shape social action and unravel the processes leading to domain and region specific institutional logic diversification (e.g. DiMaggio, 1997; Saxenian; 1996). Additionally, the endeavor of logics to dominate one another and the results of this competition among community specific institutional logics in related industries have been examined over a wide area of research (e.g. Lounsbury, 2007; Scott, 2001; Scott et al., 2000; Marquis & Lounsbury, 2007).

At the definitional level, Friedland and Alford (1991, p.243) define institutional logic as “supraorganizational patterns of human activity by which individuals and organizations produce and reproduce their material subsistence and organize time and space.” In this vein, logics enable individuals to make sense of their environment and give meaning to personal experiences, while the differentiation among institutional logics such as capitalist market and bureaucratic state gives rise to distinctive symbolic systems and social realities (Friedland & Alford, 1991). In this paper, institutional logics are conceptualized as a pattern of common cognitive characteristics of communities embedded in geographical locations whereby individual social perceptions are shaped through interaction between local actors. Based on this premise, we delineate the consequences of interaction between local populations which is argued to structure the unification and diversification of domain specific institutional logics and related organizational processes.

## Theoretical Framework and Propositions

Geographical locations have been viewed as a moderator of institutional logics that long for the possession of a commanding influence over the domains they are intact with (Blatter, 2003; Saxenian, 1996; DiMaggio, 1997; Scott 2001; Lounsbury, 2007). The confrontation among incompatible institutional logics within a specific field results in cultural conflict (DiMaggio, 1997). Additionally, Thornton (2002) proposes that despite the strong influence of monetary issues, organizations as economic actors interpret the consequences of their behaviors in light of institutional logics prevalent in the industry. In this vein, institutional pressures can shape organizational problem definitions and as new strategies and structures which are oriented towards the solutions to issues at hand are constructed, new institutional logics appear in the form of change patterns (Thornton, 2002). Consequently, the appropriateness of firms to newly institutionalized procedures provides not only legitimacy that organizations acquire by adopting related elements (Meyer & Rowan, 1977) but also competitive advantage and disengagement from the institutional pressures of change that result in successful operation of business in specific domains (Thornton, 2002).

Other than the unification of administrative procedures caused by adapting to a dominant institutional logic (Tolbert & Zucker, 1983), organizations may encounter distinctive logics embedded in various geographical locations and embrace diversified practices accordingly. For example, Marquis and Lounsbury (2007) argue that competition among logics in an institutional field brings forth transformation and heterogeneity in organizational life, rather than isomorphism. From a behavioral perspective, the resistance of actors under the sway of a domain specific logic to change signifies the influence of geographical locations on communities and industries (Marquis & Lounsbury, 2007). This notion is supported by Saxenian (1996, p.7) who states that regional institutions “shape and are shaped by the local culture, the shared understandings and practices that unify a community and define everything from labor market behavior to attitudes toward risk-taking”. In a local population, the distinctive properties of structural relations directly affect founding rates intact with different spatial locations (Audia, Freeman & Davidson, 2006). Thus, institutional logics can be characterized by their sphere of influence and rivalry within and between local populations.

Building on research by Fligstein (2002), power can be interpreted as the ability and sustainability to evaluate other actors' behavior in relation to the local culture. More specifically, economic actors who aspire to establish a dominant system within communities so as to maximize their utilization of new technologies, construct the local culture whereby social and structural relationships are defined (Fligstein, 2002). At the same time, interaction between local populations causes domain specific institutional logics to compete with each other (e.g. Lounsbury, 2007; Marquis & Lounsbury, 2007). Furthermore, the degree of interaction among communities can be considered to have a major impact on the unification and diversification processes of logics within these populations. Considering the degree of interaction between the communities as an independent variable and logic unification – diversification as a dependent variable, we claim that increased interaction results in more competitive advantage and power for potentially dominant types of institutional logics embedded in local populations.

Proposition 1. The greater the degree of interaction between communities, the greater the likelihood that unification of institutional logics within related communities will come to pass.

Proposition 2. The lower the degree of interaction between communities, the greater the likelihood that diversification of institutional logics within related communities will come to pass.

Blatter (2003) suggests that the investigation of inter-regional institutional characteristics can be used as a useful method in order to understand prevalent institutional processes and change. Since institutional entrepreneurs have the capability to form and influence certain types of logics, they can control material and symbolic resources through the enactment of an appropriate environmental

perception (Thornton & Ocasio, 2008). From this standpoint, it can be argued that organizations take on a shape consistent with the prevalent characteristics of institutional processes and geographical area. Additionally, institutional processes can be classified as periods of transformation and stability dominant processes (Lounsbury, 2002). In this vein, the argument that the need for new institutional practices appears when the amount of resources is relatively low (Scherer and Lee, 2002) can be challenged in light of disparate stages of transformation and stability which become prevalent at different periods of a related industry. Besides the evolution that the institutional environment goes through (Leblebici, Salancik, Copay & King, 1991), distinctive diversification patterns in local populations may come to existence due to the amounts of resources available and the nature of institutional processes (Tolbert, 1985).

(Resource Amount)	<i>High</i>	Diversification	Unification
	<i>Low</i>	Unification	Diversification
		<i>Transformation</i>	<i>Stability</i>
(Nature of Institutional Processes)			

Fig 1. A typology for diversification and unification of institutional logics within communities based on the amount of resources and the nature of institutional processes

Proposition 3. During the transformation dominant institutional processes within local populations; relatively high amounts of resources causes logic diversification, while relatively low amounts of resources causes logic unification to come to pass.

Proposition 4. During the stability dominant institutional processes within local populations; relatively high amounts of resources causes logic unification, while relatively low amounts of resources causes logic diversification to come to pass.

### **Conclusions and Managerial Implications**

In this study, we emphasized institutional logics as a formative factor of social action. A conceptual framework was presented in order to manifest the state of conditions whereby unification and diversification patterns of institutional logics appear within local populations. Individuals living within the same community can be considered to display similar behavioral patterns and institutional logics can be analyzed at the population level. The heterogeneity of cognitive characteristics among communities can be associated with distinctive institutional logics prevalent in related populations. Thus, certain managerial practices may become embedded in communities over time depending upon the nature of institutional processes in effect and the amounts of resources available.

Diversification and unification of institutional logics within communities can be considered to have a paramount influence over the understanding of managerial aspects with reference to certain social contexts. In fact, geographical locations, domains of logics, common cognitive characteristics and prevalent mental schemas are interdependent as socially constructed meaning worlds encourage and constrain individual and organizational social action (Bourdieu, 1990; Friedland & Alford, 1991). From an institutional perspective, organizations reflect the distinctive properties of geographic communities and organizational fields, while context specific institutional characteristics shape the decision making mechanisms (Marquis, Glynn & Davis, 2007). Therefore, examining the types of logics which have the potential to dominate a social context and the management practices

associated with the prepotency of distinctive logics can open up the way to understand the modes of organizing in a social world from the inside out.

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