

Chapter 7 | Sociological Neo-Institutionalism: Organization of Arts as a Social Construction

Organizations are essential in creating and shaping art contents, art styles and art genres. The case of Duchamp's ready-mades in the Armory Show 1913 is a well-known example (Danto 1964), but there are also many examples from the popular arts (Brown 1968; Peterson and Berger 1971). Internal and external institutional forces determine how and how much organizations influence artistic forms and functions. Institutions are not the same as organizations, though in everyday language both terms are often interchanged. An organization, which is usually a legal entity embedded in a framework of official regulations and per definition distinct from its environment, coordinates collective action, often in an established and open manner. Classical organizational theory emphasizes the understanding of organizations by their specific and manifest goals and functions (Stinchcombe 1965, 142), and highlights internal structures and processes that lead to organizational decisions of goals and means (March and Simon 1993 [1958]). Promulgated by earlier organizational and management theories, rational, consistent and agreed upon decisions were believed by many academic scholars to drive an organization's success. This view on social order goes back to Émile Durkheim (1997 [1893]; see Segre 2008), who understood the institutionalized division of labor as a mark of modern societies and to Max Weber's (2019 [1922]) theory of rationalization and bureaucracy.

Sociological Neo-Institutionalism disagrees with the general assumption that social actors tend to act rationally. As a product of social action, organizations exist outside of rational determinacy. Sociological Neo-Institutionalism stresses the effectiveness of nonrational elements that are neither reflected nor acknowledged in everyday organizational life. This shift from formal rules to informal conduct and from openly deliberated to latently manipulated organizational behavior was already found in the first departures from the idea of rational organization in the 1950s, by Herbert A. Simon and James G. March's (1993 [1958]) concept of bounded rationality and by William H. Whyte's (2013 [1956]) study of conflicts between personal values and organizational goals in

the white-collar workforce. Instead of being built on reasoning, organizations are run by normative ideas, latent beliefs, unconscious routines and unchallenged practices that are taken for granted and go unquestioned (Powell and DiMaggio 1991, 15). These powerful norms and routines, labeled as institutions in sociology, give the members of organizations cognitive and interpretive scripts and meanings for their attitudes and behaviors. Organizations are therefore social orders based on institutions (Brunsson and Olsen 2018 [1993]). Old institutionalism overlooked how persons in organizations obey organized patterns of attitudes and behavior without any need to rationally reflect on or legitimize these patterns for themselves.

The label Neo-Institutionalism stirred a brief debate about the seemingly obsolete old institutionalism. In 1985 at a conference at UCLA, Walter W. Powell, Richard W. Scott and John W. Meyer first used this term (see DiMaggio and Powell 1991a, 12). The justification to add the attribute neo was the implementation of three sociological ideas to organizational theory. These are, first, the dramaturgical approach to microsocial relations (the significance of impression management in social interactions, following Goffman 1959); second, the constitution of social structures as a result of routines in social life (the theory of structuration of society, Giddens 1979, 1984); and, third, the unconscious internalization of everyday rules (the theory of ethnomethodology, Garfinkel 1967). Paul DiMaggio and Walter Powell, two protagonists of Neo-Institutionalism, emphasize Goffman's contribution to earlier organizational theory:

Goffman ... made a decisive contribution in ... interpreting interaction as mini-ritual, ceremonial activity oriented to affirming the sacredness of selves.... What is crucial ... is the sense of affirmation that exchange partners derive from successful encounters, the feelings of selfhood that are reinforced. Commitment is to the 'interaction ritual' and the self, and not ... the explicit object of interaction. (DiMaggio and Powell 1991a, 23)

In addition, they criticized the old institutionalism's ignorance of hidden reflexivity, which creates powerful routines:

[Giddens's] distinction between ... tacit and conscious reflexivity ... emphasizes the role of routine in sustaining social structure.... Giddens contends that the control of diffuse anxiety is "the most generalized motivational origin of human conduct"... The means of such control is adherence to routine, and the compulsion to avoid anxiety motivates actors to sustain the social encounters that constitute the stuff of both daily life and social structure. (1991a, 23)

Finally, they understand Neo-Institutionalism as a theory that emphasizes cognition as an important sociopsychological process in organization:

Garfinkel shifted the image of cognition from a rational, discursive ... process to one that operates largely beneath the level of consciousness, a routine and conventional “practical reason” governed by “rules” that are recognized only when they are breached. (1991a, 20)

Wherever the early protagonists of Neo-Institutionalism looked, they found organizations behaving irrationally (see Brunsson 1985). Their empirical explorations gained insights,

that are hard to square with either rational-actor or functionalist accounts.... Administrators and politicians champion programs that are established but not implemented; managers gather information assiduously, but fail to analyze it; experts are hired not for advice but to signal legitimacy. (DiMaggio and Powell 1991a, 3)

Surrounded by irrationality, these sociologists demanded a radical rethinking in the analysis of organizations.

Sociological Neo-Institutionalism is different from other theories discussed in this book in that it does not specifically target arts organization. Neo-institutionalism has been more in the general realm of the sociology of organizations and institutions. Its empirical focus has been mostly on corporations and nonprofit organizations in the educational and health but not in the arts sector. The organization of arts and culture, whether commercially or nonprofit-oriented, has until recently rarely been a focus of sociological Neo-Institutionalism (Kirchberg and Marontate 2004). An exception in the early years of neo-institutionalist theory was Paul DiMaggio, who studied the institutionalization of the high arts in 19th century Boston (DiMaggio 1982a; 1982b) and the organizational field of North American art museums between 1920 and 1940 (DiMaggio 1991a; see 2006). Although there are still only a handful of scholarly articles applying (neo-)institutional studies on arts organizations, for us this theoretical approach is pivotal and should be employed more often in order to achieve a better understanding of the social organization of arts and culture. We will refer to the application of Neo-Institutionalism in the study of arts organization whenever possible.

1 Roots: old institutionalism

To understand the perspective of Neo-Institutionalism in greater depth, it is necessary to look at its predecessors. Older versions of institutionalism did not naively embrace rationality either and were already slightly critical about the general rationality of organizational behavior, emphasizing internal and external forces (state regulations, legal restrictions, bureaucratic barriers, etc.) working against the desired state of rationality. For instance, external stakeholders might abuse an organization for the benefit of their own particular interests. Applied to arts, politicians may approve or reject funding of an art organization, not because of a cultural policy, but for issues relevant to their re-election. Internal actors, for example, art managers, also have their own personal agenda separate from the objectives of their organization; their own promotion might be more important than advancing organizational goals, and conflicts of interests are played out at the expense of the organization. Moreover, organizational objectives might stand in opposition to societal goals, as supporting the fine arts at the cost of neglecting sociocultural support of the less privileged has shown. All these processes have been described and analyzed by representatives of old institutionalism in many different ways. As DiMaggio and Powell (1991a, 12) say, Neo-Institutionalism “traces its roots to the ‘old institutionalism’... Both the old and new approaches share a skepticism toward rational-actor models of organization.” Neo-Institutionalism is an advancement on old institutionalism, and does not seek to replace it. Organizational sociologists have generally agreed that both perspectives complement each other and are not in competition (see Hirsch and Lounsbury 1997).

The main predecessor of old institutionalism is Weber’s (2019 [1922]) understanding of the rational organization, especially his praise of bureaucracy. Weber regarded bureaucratization as a desirable and inevitable process of rationalization that allows individual members and organizations to be efficient and effective for the benefit of social progress (see Du Gay 2000). Rational modernity no longer permits erratic individuality and arbitrariness by powerful people but makes organizational behavior transparent and understandable. Building on these arguments, American organizational sociologists Robert Merton, Max Blau, Philip Selznick and Alvin Gouldner, scholars at the Columbia School of Organizational Sociology in the mid-1940s to the mid-1960s, did not just look at organization as an object of social research, but as the epitome of modern society (see Haveman 2009). Especially processes within organizations became their main research topic. Organizations were now regarded as continually shaped by surrounding social structures, classes, status groups and other organizations. Many of these old institutionalists were not armchair scholars

but conducted empirical studies on relations between organizations and society. Philip Selznick (1949) showed that legitimate social values and goals of organizations can be undermined and reshaped by superior social and political influences (e.g., Roosevelt's Tennessee Authority Plan). William Whyte (2013 [1956]) pointed out the inner conflict between individual and collective demands in the lives of employees of large bureaucratic corporations, universities and state administrations. Due to the obligations and constraints imposed by the organization, these conflicts change the psyche, friendship and lifestyle of the people involved. Herbert Simon and James March's treatise (1993 [1958]) on the bounded rationality of decision-making in organizations connected organization theory, economics, political science and cognitive psychology to show the limits to rational behavior in organizations. Three main factors – cognitive inability, time constraints, and imperfect asymmetric information – reduce the likelihood that rational choices will be made. Many empirical studies on management decisions, for example, Simon's dissertation on administrative behavior (Simon 1947), decision-making in farming (Wolpert 1964), or motives for buying life insurance (Yaari 1965) confirmed the thesis of bounded rationality.

As a critical sociologist, Alvin Gouldner – the doctoral adviser of Richard A. Peterson – is a case in point because he considers covert power to be pivotal for organizational decision-making. Whenever power occurs, a countervailing power will emerge. Departing from Parsons (1951), Gouldner does not see actors solely as bearers of social order but ascribes to them a potential for resistance and a capacity to shape structures. In *Wildcat Strike*, Gouldner (1954a) presents an empirical study on a strike in a gypsum mine to illustrate the extent to which regulatory bureaucratic measures are subversively undermined by informal rules. Legal norms and the management's lack of understanding of the company's workers and employees lead them to reject newly introduced bureaucratic rules. Gouldner (1954b) distances himself from Weber's theory of bureaucracy by classifying three types of bureaucratic patterns: mock bureaucracy, where rules are imposed by outsiders and are not enforced, representative bureaucracy, in which both union and management initiate and enforce rules, and punishment-centered bureaucracy, where management initiates and enforces the rules. His emphasis on covert power against manifestly enforced domination makes him a pioneer of Neo-Institutionalism.

2 The emergence of Neo-Institutionalism

From the mid-1970s on, a number of sociologists elaborated the ideas of the Columbia School of Organizational Sociology. Political influences (regarding

the exploration of power, social standstill or change) no longer played a major role for them; instead, their research focused on examining social relations and individual interactions in and among organizations, and their causes and consequences. Neo-Institutionalism in this phase attached more importance to investigating the relationships between organizations and their extensive environment. It also adopted the skepticism about rationality in organizations but, whereas old institutionalism understood organizational irrationality, in a Mertonian sense, as an exception that can be quickly accounted for as an unexpected consequence, Neo-Institutionalism – in an almost Deleuzian sense – grasps irrationality as the fundamental current of social action. Empirical studies by social science scholars since the 1970s confirm this view on organizations. One of the first studies in this tradition was Lynn Zucker's (1977) description of an American meat-processing company regularly receiving loans despite its obvious insolvency. This case of economic irrationality was explained by legitimacy being founded on noneconomic factors such as loyalty and tradition. Other studies from this new perspective were conducted in the nonprofit sector, analyzing organizations with strongly institutionalized environments (schools, hospitals, churches). John Meyer's (1977) analysis of educational organizations demonstrates education as a system legitimizing unequal resource allocation, allowing the establishment of elites at the cost of other members of society. This study makes him a forerunner of a neo-institutional analysis of high culture organizations that legitimize state allocation on the same rationale.

It turned out, however, that not only nonprofit organizations but also commercial enterprises operate in strongly institutionalized environments that eschew rationality. Even economic criteria such as cost efficiency or thriftiness are not rational arguments in an objective sense, because they are assessed in an institutional environment that has much leeway to define how these terms should be understood. Efficiency and responsibility become managerial myths to legitimate externally unintelligible organizational action, for example, top managers' extremely high remuneration and bonuses. Neo-Institutionalism does not look for objective reasons for the purposes and means of organizational conduct but for unconscious and unreflected institutional rules that are substitutes for rational explanations. These rules are born from the social environment of organizations, especially from other organizations of the same sector. In addition to these tacit power influences are the unconscious effects of daily routines. Consequently, Neo-Institutionalism "comprises a re-

jection of rational-actor model ... [and a] turn toward ... cultural explanations” (DiMaggio and Powell 1991a, 8).¹

Although the basic pillars of Neo-Institutionalism were in place around 1980, the theory first became widely known about ten years later, in 1991, through the anthology *The New Institutionalism in Organizational Analysis*, published by Walter Powell and Paul DiMaggio. Neo-institutionalists compile explanations of organizational behavior from microsociological interaction, the construction of routine practices and the social context constituting an institutional environment, including empirical examples. Subsequently the connection between organization and institution is broken down to different concepts, institutional decoupling (Meyer and Rowan 1977), isomorphism (DiMaggio and Powell 1991b [1983]), cognition (Zucker 1977), societal sectors (Scott and Meyer 1991), and legitimacy (Suchman 1995; Deephouse et al., 2017).

3 Central concepts of Neo-Institutionalism

In this section, we will thus discuss the theoretical concepts of (1) institutional decoupling, (2) isomorphism, (3) cognition, (4) societal sectors and (5) legitimacy. As said before, Neo-Institutionalism does not have a genuine arts-sociological focus. However, it has been applied in studies about arts organizations and arts management. We will complement each of the following theoretical concepts with exemplary studies from arts organization studies, providing evidence for the usefulness of Neo-Institutionalism in explaining the social organization of arts.

Institutional decoupling

The concept of institutional decoupling is based on the concept of bounded rationality, which we have been already touched on earlier in discussing old institutionalism. Incomplete information, uncertainty about environmental conditions, personal opportunism and a general inertia toward change explain organizational behavior far better than technical or economic rationality. John Meyer and Brian Rowan (1977) have built the bridge from the concept of bounded

1 DiMaggio and Powell (1991a, 19) acknowledge that “[James] March and his colleagues’ recent work on the ‘garbage-can model’ has deepened our knowledge of the complexity of decision-making processes: organization members discover their motives by acting; problems and solutions are typically decoupled; and decisions often occur through oversight or quasi-random mating of problems and solutions.” DiMaggio and Powell here refer to Cohen, March and Olsen (1972).

rationality to Neo-Institutionalism by emphasizing that formal rules in organizations are nothing but myths and ceremonies. Their main examples are evaluations of organizations that are carried out without any consequence. Many organizational goals cannot be achieved by formal rules but only by informal procedures, continuing Gouldner's example of subversion against inappropriate official rules. Subordinates follow formal rules while they are observed. However, as soon as they are unobserved, most rely on the informal rules that have proven to be more efficient or viable in everyday life. According to Meyer and Rowan, the decoupling of formal rules from informal conduct is at the core of any work in an organization. Formal rules confirm and propagate the conformity of an organization to its leadership and its external organizational sector. Members of organizations work between powerful formal rules, which need to be legitimized, and contingent informal rules, which need to be efficient. If employees were to publicly discredit the ceremonial character of their formal rules, they would be confronted with sanctions from their organizational field. If, on the other hand, an organization completely adheres to formal rules controlled through evaluations and managerial oversight, it would be counterproductive, inefficient and inflexible, especially in contingent and unforeseeable events. A common solution is to decouple formal rules that are externally imposed on the organization from informal rules that are internally adhered to in the organization in order to achieve everyday organizational goals. Decoupling is part of most organizations, and in a macroclimate of increasing standardization it becomes more and more important.

Transferring the decoupling concept to arts organizations, Redaelli and Haines (2014) explain tacit and informal forces of arts policy as powerful because they hide behind legalistic and formal frames, decoupling specific goals of a normative arts policy behind generally accepted legislation. For instance, the state of Wisconsin enforces a law that requires the establishment of a mandatory master plan for every urban planning activity. Concealed behind this master plan is the domination of cultural heritage over other forms of culture in a city. Arts and culture are defined as overarching cultural resources but the state law for urban planning defines arts solely as historic buildings and monuments. Since this law is taken for granted, and is thus unassailable, the funding preference of cultural heritage over other cultural offerings goes unnoticed.

Piancatelli et al. (2020) also use decoupling processes to explain how the digital art consultancy platform *Artvisor* became a legitimate player in the exclusive arts field of contemporary art galleries, despite the bad reputation of digital platforms as art sellers. Following Meyer and Rowan's (1977) concept of decoupling, this digital art platform conforms to the power of ceremony and separates their very elitist advertisement, marketing and selling processes

clearly from other similar digital platforms, representing itself as a professional art gallery, although it is in a digital marketing sphere. The gallery insists on an invitation-only access to the website, has a strong and professional management of its image (all employees are certified and endorsed with academic degrees), and performs all the necessary features of an established actor in the offline art market.

Institutional isomorphism

A second important pillar of Neo-Institutionalism is the need for an organization to adjust to the environment of its sector or field. This adaptation does not simply happen, as old institutionalism claims, through contact (co-optation). Instead organizations (1) adapt to the cultures of their environment because other externally powerful organizations force them to do so, (2) do not recognize alternative organizational options due to the lack of known alternatives, and (3) gain legitimization through adaptation. The social ecologist Amos Hawley (1968, cited by DiMaggio and Powell 1991b) calls the adaptation to environmental conditions isomorphism. DiMaggio and Powell (1991b) transfer the concept of the biotope from ecology to the idea of the sociotope, making the organizational sector analogous to a biological environment. Following the three issues of force, ignorance and legitimization, they define three types of isomorphism:

1. **Coercive isomorphism:** external pressures can be violence, the threat of violence, persuasion and the promise of rewards. The pressure on organizations may be the prospect of a government mandate, legal ties, withdrawal of financial subsidies or the social pressure to follow symbolic obligations, which, if violated, could lead to a damaged reputation and exclusion from the field. Organizations with strong external dependencies are therefore forced to adapt to outside forces, to behave isomorphically. Dependencies on resources in particular determine this type of adaptation. Pfeffer and Salancik (2003 [1978]) therefore speak of resource dependency theory. For example, the dependency of some arts organizations on state subsidies leads to coercive isomorphism. Especially in continental Europe, due to its specific resource monopoly, the state has power over many non-profit arts organizations, often beyond pecuniary aspects to include technical and cultural dependencies.
2. **Mimetic isomorphism:** this type of isomorphism results from structural uncertainties experienced by organizations. To solve contingency problems, organizations borrow characteristics and imitate structures from neigh-

boring organizations in the field. This does not have to happen consciously, as already the recruitment of trained newcomers and the migration of professionals from one organization to another within the same field provide occasions for imitation. Mimetic processes often occur in fields that lack diversity, with a limited number of known strategies on how to manage an organization.

3. Normative isomorphism: the third type of isomorphism aims at justifying the existence of an organization in a field. This is not done by rational social, legal or economic justifications, but by moral, cultural reasoning and symbolic pressures. The pressure to justify an organization's existence or progress might come from the organization seeking to gain symbolic capital (see Bourdieu and Wacquant 2013), social status (see Weber 2018 [1922]) or corporate reputation (see Lange et al., 2011). Organizations are embedded in a field-specific professional network, and membership in this network is crucial to reputation. The accreditation of an organization depends on formal membership in a professionally acknowledged network. In addition, organizations (or rather the members of organizations) become a network or a team if they communicate in the same way, in a similar jargon, with accepted conventions on interpreting the field regarding problems, goals and means (see Goffman 1958, 47ff.). Members of a professional collective approach problems from a similar perspective, find similar solutions, use similar formulas for organizational behavior and evaluate organizational practices according to shared criteria (see Zembylas 2004a, 251ff.).

We chose two papers that demonstrate the validity of isomorphism as a mechanism in organizing the arts. Kirchberg (2006) compares changes in art organizations based on these three concepts of institutional isomorphism. A mixture of normative and mimetic isomorphism explains the appearance of cars and motor bikes as legitimate artistic exhibits in fine art museums. Powerful museums in New York and Boston are key actors in legitimizing these popular exhibitions, and as other museums observe the success of these popular exhibitions, they develop similar exhibitions, as described by the concept of mimetic isomorphism. Normative isomorphism prevented the cooperation of commercial Broadway theaters (focused on profit) and smaller nonprofit drama theaters (focused on artistic merits) due to different values and standards of legitimacy. Brisson (2014) explains why, although in a state of bankruptcy, the Philadelphia Orchestra could continue the expensive technological development and provision of a new app for digitally enhancing the live musical experience of its audience. The incorporation of a new technology was not based on rational decisions (e.g., efficiency and effectiveness, balancing costs and benefits) but on

field forces. Isomorphic pressures from funders, the successful implementation of a similar app by the Kansas Symphony Orchestra, and the need to appear successful despite lurking financial disaster led the orchestra to continue development of the app. Isomorphism occurred in this case because technological advances were accepted by the field as a substitute for economic and artistic successes, the pretext of being technologically innovative replaced any other concerns.

Cognition in Neo-Institutionalism

Where the above concepts of decoupling and isomorphism have a meso and a macrosociological reference, the third central term, cognition, delivers a microfoundation to Neo-Institutionalism. In general, cognition is the process of individuals and groups making sense of their perceptions and experiences, and it is therefore associated with information processing, understanding and judging within a social context (conventions, norms, expectations). Social contexts affect cognition; some contexts are restrictive and imposing, others are malleable and open for discussion. If these contexts are fixed and resistant to changes, they are labeled as institutionalized. The more institutionalized and culturally persistent the context is, the less it will be tested for its legitimacy. A state prison is an extreme case of an institutionalized organization. There no rewards or punishments are needed to enforce the rules of conduct, since the setting is entirely internalized by the members of the institution. The standard model of cognition in sociological Neo-Institutionalism is, however, not the open pressure to obey but the tacit influence of latent peer pressures.² If an

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- 2 The significance of cognition as peer group pressure was first illustrated by Lynn Zucker's (1977) laboratory experiment about an optical illusion. A group of people enter a completely dark room. Then a small white spot of light appears on the wall. One of the individuals in the group is the test person (not knowing that they have this role). Everybody else is the peer-pressuring group that colludes in stating that the light spot is moving, when in fact it is not. However, because of peer pressure, the test person undergoes a cognitive process changing their mind from perceiving the light spot as not moving to moving. This cognitive re-orientation depends on the degree of institutionalization that comes with the peer group members. Change of mind has a higher probability when the peer persons have stronger characteristics of institutionalization (i.e., members of a reputable professional organization, wearing a doctor's white coat, introduction on a surname basis, distant and depersonalized behavior). Zucker's experiment shows that conventions are especially powerful when they are taken for granted, unquestioned and accepted not only as legitimate but as pillars of the cultural foundation of an organization or an organizational field. The microsociological

individual wants to be a member of an organization, they will gladly consent voluntarily to the rules of the organization.

Organizations are thus a product of a reality that is symbolically and practically generated by its members and external actors. The neo-institutionalist concept of cognition recognizes that individuals regulate their organizational activities by the approving or disapproving reactions of their fellow workers and of related organizations. This is an essential difference between new and old institutionalism, since the latter exaggerates the regulatory power of superiors and underestimates the role of fellow subordinates (DiMaggio and Powell 1991a, 15). The difference between what an organization is (an insignificant issue) and what it should be (the significant issue) is the main reason for applying cognition as a means to maintain organizations. If uncertainties, discrepancies and inconsistencies about goals and means occur in an organization they will be eliminated by cognitive mastery – however, if an organization fails to address its own ambiguities it may risk a major crisis.

In addition, the individual desire for safety looks to avoid dissonance, and any representation of an acceptable, safe reality provided by an organization legitimizes this organization in the eyes of its members. Organizations thus provide scripts of reliability to their members for interpreting situations, defining challenges and solving problems. Scripts are cultural rules in an organization that determine the relationship among goals and means, the constitution of easily accessible versus scarce resources, the definition of collective sovereignty and the maintenance of social control (Meyer 1977). If everybody in the organization agrees on them, cultural scripts do not need to be rational, and there is no need to enforce these scripts formally because they are regarded as self-evident. Without focal awareness, the members of an organization use these scripts and assume that they are thus acting efficiently. Although these scripts are largely accepted by the employees without critical reflection, the executive level knows about the powerful influence of these scripts, and they deliberately bolster them by internal communication tools. The script-producing and script-enhancing effects of these communication channels are not to be underestimated. In Neo-Institutionalism, cognitive reality generates limited knowledge for the benefit of the organization's goals (DiMaggio 1997). However, cognition is the product of individuals, and these individuals can change the contents of this product if they are conscious of the manipulative function of organizational cognition (e.g., corporate identity) and agree upon changing it. This statement is worth noting because it shows that Neo-Institutionalism is

foundation of Neo-Institutionalism has been erected on this social-psychological experiment.

not only unilaterally structuralist-oriented but also agency-oriented through the possibility of changing cognitive processes by the members of an organization.³

There are only a few studies about cognition as a factor for organizing the arts. Victoria Alexander's (1996a) study of a proactive behavior of museums to counter potential restrictions from funding parties is an example of the effective and conscious employment of cognition for the benefit of an arts organization. Pascale Landry (2011) explains succession in artistic leadership by hidden cognitive mechanisms and contrasts these with formal regulations. Cognitive mechanisms are scripts of succession that are related to informal rules of organizational values not manifestly stated. The opposite are manifest regulative pressures, that is, laws and governance rules, which arts organizations try to avoid since they reduce their scope for decision-making. Sally Mometti and Koen van Bommel (2021) analyze how performing arts organizations navigate between the opposing organizational goals of artistic and market logic. Both types of logics are socially constructed normative patterns that provide meaning to social reality, and performing arts organizations have to actively decide which logic they want to lean on. Possible opposing reactions to the market logic pressure from the outside are either acquiescence, compromise, compartmentalization or defiance and attack. The preferred reaction of the performing arts organizations is to remain in a relatively autonomous artistic state. Their main response to the powerful external intervention is therefore compartmentalization, that is, isolating and sealing the imposed commercial and non-artistic activities in their own organizational units far away from the central artistic units, and thus pretending compliance to external stakeholders by ceremonially accepting their demands, but in fact undermining their outside pressure.

3 The agency of organizations regarding pressures exerted on their sectors has been studied by Strategic Decision Theory (Child 1972), as a countertheory to Resource Dependency Theory. Strategic Decision Theory assumes that organizations react strategically within their sector to counter the constraints of, for example, financial providers. They develop strategies that shape their organizational sector according to their own organizational agenda. Following Strategic Decision Theory, the concept of organizational sectors explains that organizations actively and strategically work on increasing their cultural legitimacy in the sector to make better use of the financial and other resources of this sector.

Societal sectors and organizational fields

Neo-Institutionalism emphasizes that organizations are shaped externally, following the model of open organizations (see Scott 2003 [1981]),⁴ which observe and interact with their environment. Richard Scott and John Meyer (1991, 126f.) refer to a great variety of organizations: public or private, regional or national, international or transnational, branches or headquarters, etc. Environments affect organizational structures and behavior. However, the term environment remains diffuse. The early neo-institutionalists refer to either societal sector (Scott and Meyer 1991), institutional sphere or organizational field (DiMaggio 1991a; Scott 1992). These terms are used interchangeably but with slightly different theoretical connotations. Generally, all assume that the sector determines how an organization can behave legitimately. Sectors are categorized based on organizations with similar purposes, goals and means. Scott and Meyer (1991) describe them according to five dimensions, that is, institutional versus technical, wide versus narrow, programmatic versus financial, procedural versus result-oriented, and procedural-controlled sectors versus result-controlled sectors. The most important sector category in Neo-Institutionalism is the assignment to institutional sectors – which are defined by the significance and scope of cultural norms, conventions and rules – because these institutional characteristics affect the thinking and acting of its members. However, the political differentiation of sectors is also relevant. Scott and Meyer (1991) consider power differences as crucial to explain the importance of a sector. Domination of organizations in a sector has been described as coercive isomorphism. Here “social [and organizational] choices are shaped, mediated and channeled by the institutional environment” (Wooten and Hoffman 2017, 55). However, sector members (i.e., the organizations of a sector) can also affect the sector as a whole because integrated organizations can then actively shape their sector. There are parallels to Giddens’s theory of structuration and to Bourdieu’s field theory.

Even a behavior that looks “kind of wacky” (DiMaggio 1995, 395) from outside the sector may appear rational inside the sector if it supports the position of an organization within the sector (see Wooten and Hoffman 2017, 59f.). This kind of, from the outside, strange, deviating and possibly sanctioned organizational behavior is accepted and praised on the inside because it benefits the

4 Scott (2003 [1981], 26–30) distinguishes natural systems (organizations similar to biological entities, with structures and processes that can be explained solely within organizations), rational systems (organizations existing for external rational-technical reasons through, e.g., flows of money, information, goods or services), and open systems (organizations existing for reasons of social and cultural interdependencies with the environment).

sector. In this sense, deviation is a precursor to innovation, and this emphasis on the organizational sector as a source of change makes the immediate social environment an advantageous partner for the organization. Then the sector is a voluntary community of organizations that not only share a common meaning system but give all members the opportunity to evolve (2017, 64).

Change can also occur when a new sector emerges. This happens when there are disruptive experiences and exogenous shocks such as environmental catastrophes, wars or extreme political reorientations that change general organizational strategies and goals. These social or political ruptures connect organizations with very different backgrounds as long as they believe in symbiotic support. Disparate organizations can cooperate in one sector as long as they agree upon a few common motives, goals and means. Sectors are loosely knitted, voluntary and special-purpose commonalities instead of closed systems.

Related to arts organizations, the most frequently cited example for a neo-institutionalist interpretation of power and an example for the dynamics of an organizational sector is the analysis of the effects of the institutionalization of art museums in the United States between 1920 and 1940 (see DiMaggio 1991a). The then newly constructed sector of art museums gave younger museum professionals and social reformers under the old museum leadership a voice for reinventing the museum. Early in the 1900s, there was still strong discord about the forms and functions of museums. After institutionalization of the field from 1920 on, this new professional constituency redefined the goals of museums. Another neo-institutionalist illustration of the significance of an organizational field is Kirchberg's (2004) study on the changing corporate world between the World Wars and its understanding of arts support. His case study explores the motives of the United States tycoon Pierre Samuel du Pont for arts support in these years and explains the changes from personal whims to corporate logic. The change of corporate arts support from patriarchal patronage to corporate sponsorship in these years is a consequence of the change in corporate leadership from companies led by single owners and entrepreneurial personalities to a collective of executive managers.

Legitimacy in organizational institutionalism

The most important concept of Neo-Institutionalism is legitimacy. This term unifies all of the above concepts, as decoupling, isomorphism, cognition and sector can all be traced back to issues of legitimacy. Whereas cognition allows the members and stakeholders of an organization to make sense of their activities, legitimacy is tantamount to the trustworthiness and recognition of an

organization. Whereas cognition has a more microsociological orientation, legitimacy has a more macrosociological orientation because it leans on legal and moral rightfulness as well as on power and domination in society. However, the determination of cognition and legitimacy is not a simple polarity. Domination can be enforced by the structural force of norms but also by personal will. Legitimacy will become lasting if it goes hand in hand with cognition. If rulers have legitimacy, the dominated submit themselves to the belief of their rulers (Weber 2019 [1922], Berger and Luckmann 1991 [1966]). John Meyer and Brian Rowan (1977) see the success of an organization as dependent on its ability to argue that its dominance is legitimate. Organizations are then accepted by their stakeholders (e.g., fellow sector organizations, suppliers, consumers, politicians) even if there are reasons to doubt them. For instance, organizations of so-called national significance or system-relevant organizations like major banks and infrastructural enterprises are placed under special protection by the state, making them exempt from the competitive logic of the market. An organization that would normally fail can thus live on if it is able to maintain a strong facade of legitimacy to the outside.

Legitimacy is a multifold concept, ranging from fully accepted and socially necessary to illegal and socially damaging. Mark Suchman (1995) and David Deephouse et al. (2017) present several kinds of legitimacy. Pragmatic legitimacy is based on rational arguments as the definition of realistic goals and means of an organization. These goals are profitability in a market context or break-even in a nonprofit context, means of investment as a profit-generating act, or creating a nonprofit health insurance co-op as a welfare act. Legal legitimacy is gained by adhering to the law and political regulations. Moral legitimacy is based on moral obligations defined and controlled by societal agencies. These agencies look at the implementation of values and subsequent ethical consequences, for example, fair treatment of employees, financial transparency, sustainability or social solidarity. Cognitive legitimacy is the view of an organization as a pillar of national identity or history, as a role model for civic reputation or as a supporter of a community's wellbeing.

Organizations need to gain legitimacy to achieve attributes that are socially laudable, to give themselves meaning beyond a one-purpose function and to pursue public acceptance. Subordinated to these goals are narrower objectives such as market access, good marketing, convincing communication, external endorsement, sector cooperation and avoiding negative judgment from the outside. Outside actors include the governing state, regulatory agencies, the surrounding professional sector, the scrutinizing public, the digital social media and civil society's social movements and their sensibility toward moral obligations and sustainable objectives. Civil society and its growing demand for

an emotionally grounded legitimacy makes them a major player in legitimating an organization. Besides the increased importance of emotional exchanges between an organization and its surroundings, Deephouse et al. (2017, 46) stress symbolic means versus substantive efforts when gaining legitimacy.

As yet another proof for this concept of Neo-Institutionalism, we provide examples in the fields of arts and culture. The first example is museum scholar Stephen Weil's (2002) insistence on legitimacy as the main justification for the existence of a museum. While museums once did not need legitimacy for collecting, preserving or exhibiting objects, in the last decades, museums have been in a phase of continuous existential self-examination, questioning their legitimacy as a societal institution. Weil points out that the significance of museums should now be gauged by how, why and how much they reach what kind of people. Deprived of its former sacred and taken-for-granted functions, the museum can no longer convincingly claim legitimacy in society. The new meaning of a museum thus depends on external social impacts. It is only by opening up to the outside world and discussing their social functions that museums can survive as accepted social institutions.

Jan Marontate (2004) looks at visual art production as a public matter during the Great Depression (1929–1941). As a political product of Roosevelt's New Deal, most artworks in the Federal Art Project of the Work Project Administration (WPA) were widely criticized by artists and curators for their poor quality. However, these works gained legitimacy by replacing ambiguous artistic criteria with convincing technical standards. Instead of assessing artistic value, the technical improvement of the oil paints used became the main benchmark for evaluation. The institutional intervention by the state changed the norms and standards of assessing the arts produced and enabled the legitimation and acceptance of WPA art.

4 Critique of Neo-Institutionalism

Neo-Institutionalism has inspired many researchers, but it has also received criticism. We identify three major criticisms: the first critique focuses on the supremacy of the construct institution over the construct organization. For instance, organizational theorists Greenwood et al. (2014, 1206) argue that the analysis of institutional processes has been used to explain issues at the level of the organizational field, rather than “to gain a coherent, holistic account of how organizations are structured and managed.” On this basis, they accuse Neo-Institutionalism of neglecting organizations. We acknowledge that various scholars have differing research interests. Some of them might focus on more gen-

eral research interests, that is, Neo-Institutionalism claiming to be a theory, while others focus on the more specific, that is, understanding organizations as having a genuine practical value. Scholars may also have different theoretical perspectives, that is, some might see organizations as functional units, while others focus on structural elements, for example, institutional rules and logics, coexistence, dependency and coercion. By contrast, some might see organizations as social actors and tend to focus on organizational differences related to particularities, for example, organizational structures and cultures, managerial abilities, the ways available or scarce resources are used, environmental aspects and other factors. We consider such differences as epistemologically legitimate, but in this section, we focus on critical arguments related to the conceptual foundations of Neo-Institutionalism.

Second, the emphasis on structure (societal forces and constraints) over agency (individual and organizational power) has been criticized. Fligstein (2008, 229) and Wooten and Hoffman (2017, 60) regret that neo-institutionalists do not think highly about the power of individuals. Instead, they emphasize the structural embedding of actors in organizations and fields facing challenges to their activities, for example, maintaining cooperation, understanding others, dealing with uncertainty and struggling with a lack of resources. Fligstein (2008, 232) accuses neo-institutionalists of simplification, since they “focus heavily on scripts and the structural determination of action,” ignoring “how actors ‘get’ action.” He further states that isomorphism implies that organizational actors orient their behavior toward one another, increasing “conventionality. Explanations of deviant and thus innovative organizational behavior are missing in this theory, ‘institutions are ‘sticky’. They tend not to change because the interests of actors are embedded in them, and institutions are implicated in actors’ cognitive frames and habits” (2008, 241).

Is agency thus a product of structure and only a simulacrum scripted by institutions? Here we face the problem of the independence of agency (Meyer 2017). From a pragmatist theoretical point of view, there is no innate reflexive, completely voluntary and individually rational capacity in agency-driven individuals; instead agency has to be built upon the thesis of “the primary sociality” of action (Joas 1996, 148). Frequently some individuals are more skillful than others and can better cope with certain challenges (Fligstein 2001). The less skillful can then benefit from the more skillful and increase their agency as members of a group. In addition, according to Fligstein, judgments of situations are better based on evaluative regimes in professional collectives such as organizations. People seek advice from their colleagues in the same organization when making difficult choices. In the case of a group of people with a strong consensus about their view, they collectively share mutually recognized skill-

fulness, dexterity, competence and mastery, and this is a basis for making easier and perhaps better decisions than would be made by group members on their own. The support of individuals by the mutually recognized skills of a collective makes the division between structure and agency blurry if not obsolete.⁵

Third, critics complain about the supposed value freedom of the theory, the highly political concept of power, and conflict being neglected by Neo-Institutionalism (see Munir 2019). In that sense, power is related not only to organizational operations, but also to normative topics such as domination, exploitation, discrimination, injustice and inequalities – altogether important topics for the analysis of organizations (for a discussion of the multiple entanglement of arts and power, see Gaupp et al., 2022). Kamal Munir alleges that neo-institutional theory is thus uncritical because it lacks an understanding of power, as it regards power only “as a *possession* employed *episodically* by social actors to attain their goals” (italics in original; Munir 2019, 2). Power establishes unjust permanence in social relations,⁶ and Munir and his coauthors argue correctly that Neo-Institutionalism “has hardly been used to engage with some of the major social issues of our time, including the financial crisis, exploitation of workers, corporate power and inequality” (Amis, Munir and Mair 2017, 719f.). Munir (2015) also highlights the role of ideologies – not considered by the neo-institutionalist – that steer cognition. Referencing Critical Theory, Munir brings another normative dimension into the discussion and claims that institutional theory has “no moral compass” (Munir 2019, 5). Does the analysis of the social organization of arts need a moral, ethical or political commitment? Given the widespread misery in the world, the persistence of dictatorships and autocratic regimes, the devastating effects of wars and anomic conditions on people, the environmental pollution and climate crisis, one can rightly ask about the normative and political role of arts organizations. Consequently, one should also

5 As said before, structure and agency depend on each other; a sociological theory of institutions needs an enhanced theory of practical knowledge to better understand the reciprocity of agency and structure. Anthony Giddens (1979, 69) was very clear in elaborating the reciprocal relation between agency and social structure, “By the duality of structure I mean that the structural properties of social systems are both the medium and the outcome of the practices that constitute those systems.” Agency has a social effect on human capabilities, and social structure is thus a result of agency and human capabilities (see Douglas 1986, ix).

6 This is already true if we think of the differences between the income of artistic managers (museum and theater directors, music and film producers, publishers, and others) in relation to artists’ wages within the same organization, or of the differences between the average income of artists in correlation to inter-sectional categories such as class, gender, race and age.

ask how obliged organizations should be to work for the societal transformation of a crisis-laden world.

As a critique on Munir's critical stance, Gili Drori (2019) questions his use of the word critical, since Critical Theory does not have a monopoly in determining what critical means. Without doubt, power is an important topic in sociology. However, Drori (2019, 3) warns that the role of power should not be overestimated, since in certain situations the attempt to control events by using instruments of power fails.⁷ In Drori's view, Neo-Institutionalism is critical in a different sense. It challenges the major theoretical assumptions of not only organizational theory but all dominant social theories of the 1960s and 1970s "by highlighting the irrationality of rationality, isomorphism and the Weberian notion of the iron cage" (2019, 5). By providing new theoretical tools, Neo-Institutionalism offers social actors a chance to analyze their situation, reconfigure their understanding of it and gain power. For Drori, the epistemic potential of Neo-Institutionalism can be regarded as critical, not of the world but of preceding theoretical views on organization. The conflation of Neo-Institutionalism with neo-positivism, which is implicit in Munir's critique, is misleading (Drori 2019, 7). Normative restraint is not an objectionable sign of a positivist epistemology, but of an understandable cultural relativism. For Drori, neo-institutional theory is reflexive and context-sensitive, and interesting for a "plurality of issues and disciplines" (2019). It incorporates a situated critical observation of social phenomena without being normative.

In conclusion, the neo-institutionalist perspective is mindful of arts. Whereas some other theories discussed in this book have the objective of finding a generalizable theory (on a middle-range level) of organizing arts, Neo-Institutionalism is a multifaceted theory that emphasizes the diversity of possible explanations for organizing arts. The former theories strive for a small number of (ideal) types of different arts organizations, whereas this latter theory strives for broad and contingent kinds of arts organizations. The social context – created by the neo-institutionalist organization-shaping constructs of decoupling, isomorphism, sectors, cognition and legitimacy – fosters a broad variation of possible organizational styles and practices. Especially the inclusion of irrationality in neo-institutionalist theory makes it less probable to find just a few ideal types of arts organizations. Bounded rationality already limited the explanation of organizational behavior, but Neo-Institutionalism assumes a complete abandonment of rationality if the organization and its

7 For instance, there is the subversive potential of arts. Elites might have hegemonic power, but they cannot always be successful in using arts as an instrument of legitimation.

sector practice other reasoning in an autopoietic manner. Together with the concepts of decoupling and isomorphism, in particular the organization of artistic production might negate the rationality of a cost-benefit analysis and replace it by a multiplicity of other causes to be creative. Artistic genres and – in neo-institutionalist vocabulary – the interdependencies of societal sectors and their member organizations further strengthen the autopoietic (see Niklas Luhmann in chapter 4) and autonomous (see Pierre Bourdieu in chapter 3) tendencies of arts organizations to decide and behave in ways outside the established societal narratives of, for example, economic or reputational reasoning.

The broad variety of arts organizations is even more affected by the combined input of cognition and legitimacy. Since organizations are continually making sense of everything, its actions are legitimate as long as the members of this organization and its societal sector agree on the implicit cognitive framework. A generalizable understanding of the social organization of arts is thus difficult from the outside because their organizing and evaluating criteria are idiosyncratic and situated products of an inside collusion, and a general emphasis on rationality might not be significant to explain an organization. More important is the agreement of the actors of an organization and its peer organizations to avoid dissonance and uncertainty among themselves (similar to Howard Becker's formation of conventions). Constant internal communication among each other allows a clear definition of the meanings of organizational behavior, of what makes sense and what does not. Here cognition and legitimacy go hand in hand. Gaining trustworthiness and legitimation is important when the organizations' actions are not generally accepted by the broad public. Building on Suchman (1995) and Deephouse et al. (2017), we argue that moral legitimation with emotional reflections of organizational action have become more important in organizations' strategies in recent times, replacing the formerly indisputable modern (cognitive, that is, mostly economic) categories of a seemingly objective pragmatic legitimacy (see Hampel and Tracey 2019; Rentschler et al., 2022). The social organization of arts is not unaffected by this: whereas the evaluation of arts could once be traced back to autonomous criteria (e.g., artistic quality) versus heteronomous criteria (e.g., commercial success, see Bourdieu's field theory), arts now become unratable and almost impossible to categorize due to a lack of generally recognized evaluation categories.

The few examples of a neo-institutionalist analysis of arts organizations in this chapter indicate the broad spectrum of neo-institutional analysis from arts policy (Redaelli and Haines 2014), commercial art galleries (Piancatelli et al., 2020), major art museums (Kirchberg 2006), a live music enhancing app (Brisson 2014), art leadership succession (Landry 2011), the emergence of a museum

association (DiMaggio 1991a) to the legitimation of WPA art (Marontate 2004). This variety of topics can be construed as a weakness, since there are no generalizable results applicable to other studies of arts organization. It can also be interpreted as a strength, since the multitude of findings reflect an equally diverse reality that cannot be categorized into a few theoretical boxes.