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Resolving contradictions in institutional demands through loose coupling

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ABSTRACT

Organizational units are often required to satisfy institutional demands from internal or external stakeholders that, when examined in their totality, are contradictory. Drawing on interviews with the leadership teams from four national offices of a multinational professional marketing services firm, we develop a framework to explain how an organizational unit can locally resolve these contradictions by becoming loosely coupled with their institutional environment. The framework describes how the organizational unit leverages trust from organizational superiors to develop a space that receives minimal organizational oversight, allowing them to locally implement strategies for resolving contradicting institutional demands. The framework also demonstrates how alliance building is integral to this process of resolving contradictory institutional demands.

1. Introduction

Organizational units have multiple roles; while they must interact with and satisfy external stakeholders, they must also fulfill the requirements of the internal stakeholders to whom they are ultimately responsible. Although these dual roles are not mutually exclusive, situations may arise where the demands of one stakeholder are incongruent with those of another. In such situations, organizational units must find ways to reconcile these competing demands while continuing to satisfy their various stakeholders.

The means by which organizational units act to resolve potential contradictions in the demands placed upon them has attracted surprisingly little attention within the marketing discipline. Indeed, although business units influence and are influenced by each other (Håkansson & Ford, 2002), attention within the marketing discipline has more often focused on how a marketing organizational unit influences other areas of the firm (e.g., Homburg, Workman, & Krohmer, 1999; Verhoef & Leeflang, 2009) rather than on how they respond to the influence that other units exert on them. This is an important oversight, for organizational units must frequently negotiate the competing demands that are placed upon them by multiple intra- and inter-organizational stakeholders.

As Hult (2011) recently recognized, organizational theories, such as institutional theory, provide a useful lens for understanding how organizational entities navigate the competing demands placed upon them. The basic premise of institutional theory is that social entities conform to the norms and behavioral expectations associated with the institutional framework of which they are a part (Clemens & Cook, 1999). These norms are conformed to not because they are efficient but because they afford the resources and legitimacy necessary for survival (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). However, this quest for legitimacy at the expense of efficiency can give rise to tensions in the demands made within or between social entities (Seo & Creed, 2002). These tensions, which are more formally referred to as institutional contradictions (Seo & Creed, 2002), are often responded to through a strategy of loose coupling whereby the work activities of actors within the social entity become distinct from, yet remain interconnected with, the symbolic displays of the broader social entity (Orton & Weick, 1990). In this way, loose coupling allows actors to introduce changes aimed at resolving institutional contradictions without undermining the institutional legitimacy of their social entity. The purpose of this study is therefore to examine the various means by which organizational units implement loose coupling to balance and resolve contradictions in the demands that are placed upon them.

This paper is structured as follows. First, we situate our study within the broader institutional literature on embedded agency, institutional change, power, and loose coupling. Next, we summarize the methods that were employed to collect and analyze the qualitative data. Data from four national offices of a multinational professional marketing services firm are then used to understand the processes that non-powerful organizational actors use to implement loose coupling. Finally, we discuss the implications arising from our findings for understanding how marketing entities deal with contradictory demands in contexts where they are not empowered to change the nature of those demands.

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2. Theoretical background

2.1. Embedded agency and institutional change

Changes to the institutional environment are often initiated by actors endogenous to that environment because they have the most to gain from achieving gains in efficiency. These actors are labeled institutional entrepreneurs (DiMaggio, 1988) in that they mobilize their resources (Dorado, 2005) and leverage their social skills (Fligstein, 1997) to implement new institutional structures that advance their own interests (Maguire, Hardy, & Lawrence, 2004). However, if institutions promulgate taken for granted rules of appropriate behavior and if institutions are so fundamental that these rules are automatically adhered to, then how are institutional entrepreneurs able to introduce new rules or change existing rules? This issue, which has been termed the paradox of embedded agency (Seo & Creed, 2002), has motivated considerable theorizing on the relationship between agency and institutional structure (Barley & Tolbert, 1997; Beckert, 1999; Holm, 1995; Leca & Naccache, 2006).

One possible solution to the paradox of embedded agency lies in the presence of conflicting institutional rule systems (Seo & Creed, 2002). According to Seo and Creed (2002), these institutional contradictions lead probabilistically to praxis, a specific form of agency that involves "the free and creative reconstruction of social arrangements on the basis of a reasoned analysis of both the limits and the potentials of present social forms" (Benson, 1977: 5). That is, actors creatively rearrange the institutional contradictions that exist within their institutional environment to develop potential solutions to those contradictions. In this way, institutional contradictions create problems in need of resolution while simultaneously providing the building blocks that, if correctly reoriented, provide solutions to those problems (Friedland & Alford, 1991; Seo & Creed, 2002; Sewell, 1992).

2.2. Power and loose coupling

Institutional norms arise from political contests between actors with conflicting interests and varying levels of power, and these contests are generally resolved in favor of the powerful (Benson, 1977; Seo & Creed, 2002). Non-powerful actors consequently tend to be ill-served by existing institutional arrangements (Greenwood & Hinings, 1996), increasing their motivation to initiate institutional change (Leblebici, Salancik, Copay, & King, 1991). Nevertheless, there are often settings where it may not be feasible (at least initially) for non-powerful actors to bring about institutional change. Firms, for example, tend to be oriented around a vertical alignment of power, making it difficult for organizational actors with limited power to introduce systemic changes that directly oppose the institutional arrangements favored by their organizational superiors. In such settings, two strategies present as viable options for modifying the prevailing institutional arrangements: decoupling (Meyer & Rowan, 1977) and loose coupling (Orton & Weick, 1990). Decoupling occurs when the operational processes that are enacted by actors diverge from formally sanctioned institutionalized arrangements, giving rise to "informal coordination that, although often formally inappropriate, keeps technical activities running smoothly and avoids public embarrassments" (Meyer & Rowan, 1977: 358). Orton and Weick (1990) extended this concept further by differentiating between decoupling and loose coupling. Specifically, decoupling refers to situations where the work activities of the technical core are disconnected from the symbolic displays of the organization. Put another way, decoupling occurs when there are gaps between the policies advocated by the organization and the practices that are actually conducted. Loose coupling, in contrast, exists when work practices and symbolic displays are distinct but interconnected. That is, an attempt is made to situate work practices within the policies advocated by the organization even when these work practices do not conform to those policies.

Decoupling and loose coupling have not enjoyed the same level of scholarly debate as has institutional change, perhaps because of reservations about the duplicity or organizational deviance inherent with these concepts (e.g., Perrow, 1985; Vaughan, 1999). Nevertheless, loose coupling and institutional change represent two sides of the same coin; both arise as a result of institutional contradictions, and both represent attempts to resolve these contradictions through change (Clemens & Cook, 1999; Dirsmith, Fogarty, & Gupta, 2000; Orton & Weick, 1990; Seo & Creed, 2002). What differs between the two constructs is the extent of change. Whereas institutional change typically refers to those seismic events that fundamentally reorient the institutional environment (Garud, Hardy, & Maguire, 2007), loose coupling tends not to alter the institutional environment because the changes that are made are surreptitious (Orton & Weick, 1990).

In this light, loose coupling represents a viable strategy for non-powerful actors seeking to introduce changes that, while potentially inconsistent with prevailing institutional arrangements, will resolve contradictions in the demands placed upon them by other social entities in their institutional environment. What remains less clear is how loose coupling is initiated. The purpose of this study is therefore to ascertain how organizational units within a marketing context implement and use loose coupling to respond to competing demands.

3. Methods

3.1. Research setting and approach

The context of this study was ServicesCo[1], a professional marketing services firm with offices in almost 100 countries. ServicesCo is owned by a publically listed holding company that sets financial targets for each office to satisfy the growth expectations of shareholders. As such, ServicesCo provides a means for exploring how non-powerful actors use loose coupling to bring about changes within a formalized institutional structure. Professional marketing services firms also provide a useful context for examining B2B processes, situated as they are within the broader network of businesses that influence, or are influenced by, a firm's activities (e.g., Bals, Hartmann, & Ritter, 2009; Harvey & Rupert, 1988; LaBahn & Kohli, 1997).

Loose coupling was examined in ServicesCo by using an extended case method approach (Burawoy, 1998; Kates, 2006), an approach that "engages with the contexts in which the phenomena occur" (Cayla & Eckhardt, 2008: 218). As Dyer and Wilkins (1991) note, single case studies are often better suited to eliciting rich theoretical insights than multiple case studies because they allow researchers to focus on the unique contexts and backgrounds of each case. Moreover, single case studies provide a means for examining situations where an intervention or change has been implemented and where no clear set of outcomes is available for evaluating that change (Yin, 1994).

3.2. Data collection

Data were collected through qualitative interviews with 15 senior employees from four ServicesCo offices located in the Asia Pacific region (Australia, China, Hong Kong, Japan) as well as from the Asia Pacific regional office. Interviewed employees held the key leadership positions in each of these offices and were therefore well placed to provide an informed account of how each office responded to at times contradictory institutional demands. The specific focus of these interviews was on how employees resolved the competing aims of achieving the financial targets of head office and meeting the creative demands of their clients. The organizational position of each interviewee is presented in Table 1. Two members of the research team were present during each interview, allowing one researcher to ask questions and the other to

[1] The name of the firm has been masked for confidentiality and non-disclosure purposes.