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Discussion Paper Series

**Institutional Entrepreneurship: A Literature Review and
Analysis of the Maturing Consulting Field**

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Discussion Paper # 6



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Institutional Entrepreneurship: A Literature Review and Analysis of the Maturing Consulting Field

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Abstract

Drawing on the concept of 'institutional entrepreneurship', this chapter reviews the existing literature with respect to conditions and mechanisms that enable entrepreneurs to actively shape their institutional environment. For our review of the literature we distinguish two main clusters of theory development that are associated with a varying degree of empirical attention to institutional entrepreneurship in professional services. While the first cluster deals with institutional entrepreneurship among peripheral actors and emerging fields, the second cluster investigates embedded action by central elites in mature fields. What has remained surprisingly underexplored in this extreme swing from emerging to mature fields, however, are those proto-professions and proto-professional firms whose institutional projects have made some progress, but whose organizational forms, practices and logics cannot yet be considered fully institutionalized. These arenas, which we describe as 'maturing' fields, combining characteristics of emerging and mature fields, may hold particular conditions for institutional entrepreneurship. Drawing on illustrative data from the German management consulting field, we explore those conditions and the strategies that consultancies employ to manipulate the institutional ramifications of their own existence and operation.

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Introduction

Professional service firms (PSFs) such as management consultancies, investment banks, accounting and law firms have gained positions of strong economic and social influence in today's Western economies. The largest PSFs rival multinational corporations in turnover and employment and many have extended their services beyond business, politics, and nonprofit sectors (Empson, 2007b; Greenwood, Suddaby, & McDougald, 2006). Management consultants have established themselves as 'the world's newest profession' (McKenna, 2006) and 'market protagonists' (Faust, 2002b: 45) in knowledge economies; elite law firms act as 'sanctifiers' of international business transactions whose influence in many instances supplants, rather than supplements the role of the state (Flood, 2007), and investment banks are claiming to be doing no less than 'god's work' (Arlidge, 2009).

This success is to some extent a product of economic trends towards increasing knowledge-intensity, servitization, globalization, and rapid innovation – however, by far not exclusively. A considerable part of PSF success is due to professionals' rhetorical and political skills to actively influence the institutional environment in which they operate. For instance, investment banks have shaped the 'rules of the game', by embedding former regulators in their ranks or placing loyal employees in prominent political positions who then reinforced the myth of the inevitable 'innovation cycle' and legitimized the deregulation of financial markets (Davis, 2009; Economist, 2007). Similarly, research on management fads and fashions has repeatedly recognized how management consultants strategically shape management discourse in a way that establishes their own products and innovations as sources of commercial success (Abrahamson, 1991; Benders & van Veen, 2001; Berglund & Werr, 2000; Kieser, 1997; Suddaby & Greenwood, 2001).

Specifically with regard to management consulting, however, these studies have focused on the isomorphic pressures that consultants' efforts exert on their clients' industries.

With few exceptions (e.g., Fincham & Clark, 2002; Lounsbury, 2002, 2007; Montgomery & Oliver, 2007), we know little about how emerging professions, such as management consulting, professionalize and establish their services as a taken-for-granted element of social life. This is surprising given that professionals have long been recognized as ‘institutional agents’ (DiMaggio & Powell, 1983; Scott, 2008) (see chap. 17) and professionalization projects have been closely associated with institutionalization (DiMaggio, 1991).

Therefore, in this chapter we take a closer look at a specific type of entrepreneurship in PSFs; drawing on the concept of ‘institutional entrepreneurship’ (DiMaggio, 1988; Garud, Hardy, & Maguire, 2007; Hardy & Maguire, 2008) we describe some generic strategies by which proto-professions can enhance their ‘institutional capital’ (Oliver, 1997); that is, their capacity to extract institutionally contingent resources such as legitimacy, reputation, or client relationships from their environment. In the next section we introduce the theoretical origin and core argument of the concept of institutional entrepreneurship. We then review the literature on institutional entrepreneurship, distinguishing two phases of theory development that are associated with a varying degree of empirical attention to institutional entrepreneurship in PSFs. In the subsequent section, we present some of our own work on institutional entrepreneurship in the maturing management consulting field. The paper closes with a reflection and discussion of implications for future research.

Institutional entrepreneurship: Theoretical origin and core argument

Interested in the similarity and stability of organizational structures, institutionalists initially focused on explaining convergent change in response to isomorphic pressures within organizational fields (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1987; Tolbert & Zucker, 1983; Zucker, 1977, 1983). Their over-emphasis on the social environment imposing upon - rather than also emerging from - human interaction, however, produced increasing dissatisfaction with their inability to conceptualize divergent change (e.g., Barley &

Tolbert, 1997; DiMaggio & Powell, 1991; Greenwood & Hinings, 1996; Hirsch & Lounsbury, 1997a; Oliver, 1991, 1992). Specifically, the ‘paradox of embedded agency’ (Holm, 1995; Seo & Creed, 2002), the question how actors become motivated and enabled to transform the taken-for-granted structures and norms that supposedly define them, has attracted substantial attention.

In response, institutional scholars re-focused on explaining the role of interest and agency in divergent institutional change and, following DiMaggio’s (1988) early lead, subsumed their efforts under the banner of ‘institutional entrepreneurship’. This initial framing informed subsequent research in two ways: First, it pointed to the centrality of interest, agency, and resources for explaining institutionalization as a process rather than a state (e.g., Barley & Tolbert, 1997; Greenwood & Hinings, 1996). Secondly, it opened institutional arguments to ideas from the co-evolving entrepreneurship literature (e.g., Aldrich & Fiol, 1994; Aldrich & Martinez, 2001). The core argument of the institutional entrepreneurship literature, hence, centers on the conditions and mechanisms that enable entrepreneurs to actively shape their institutional environment from within.

In contrast to earlier work which portrayed change as contingent upon an exogenous shock ‘smacking into stable institutional arrangements’ (Clemens & Cook, 1999: 447), this strand suggests that ‘new institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interests that they value highly’ (DiMaggio, 1988: 14). This change in perspective is initially fuelled by an injection of ‘old’ institutionalist notions of interest dissatisfaction and power into the ‘new’ institutionalism in organizational analysis. The resultant ‘neo’-institutionalist lens is sensitive to both, actors’ conflicting interests, but also their embeddedness in broader social structures that assess their appropriateness and control the resources to pursue them (Greenwood & Hinings, 1996; Hirsch & Lounsbury, 1997a). In this sense, organizations are seen as ‘infused with val-

ue' (Selznick, 1957: 17) in two ways: Their structures reflect collective notions of appropriateness, but also constitute vehicles for realizing individual interests.

In the institutional entrepreneurship literature, however, the pursuit of self-interest is not contained within organizational boundaries. Instead, when conceptualized as a positional system in which actors compete for various forms of capital (Bourdieu, 1993; Bourdieu & Wacquant, 1992), rather than a pure network of actors, the organizational field becomes the arena – and its institutional arrangement the focus – of competition between self-interested entrepreneurs. As 'the constitutive rules of any system [...] create positions allocating authoritative decision making to incumbents of some positions and duties to obey to incumbents of others' (Stryker, 2000: 179-180), motivation to (re)-shape such rule systems through institutional entrepreneurship is inherent to any organizational field. This topographical understanding of fields has led institutional scholars to focus on the field position of potential entrepreneurs (e.g., Battilana, 2006; Greenwood & Suddaby, 2006; Leblebici, Salancik, Copay, & King, 1991) and the maturity of the field itself as indicators of likely proponents of change and their resource-mobilization strategies for implementing it. Initially, institutional entrepreneurship was associated with disadvantaged actors located in the periphery of mature fields or with emerging fields, while entrepreneurial action by central, elite participants in mature fields has only been conceptualized relatively late as 'the toughest example of embedded action' (Greenwood & Suddaby, 2006: 43). Below we elaborate on the association of field position and entrepreneurial potential, show how different empirical foci correspond to different phases of theory development, and explain how this correspondence shaped our understanding of institutional entrepreneurship in PSFs.

Institutional entrepreneurship among peripheral actors and emerging fields

Early work on institutional entrepreneurship considers the field periphery a fertile breeding ground for institutional entrepreneurs. The common understanding is peripheral ac-

tors are disadvantaged by the existing rule system and therefore motivated to take entrepreneurial action. Simultaneously, they are also relatively remote from central organizational networks through which institutional prescriptions are enforced and therefore less caught by prevailing institutional arrangements. By contrast, central organizations are deemed to be privileged by the institutional status quo and subject to intense scrutiny by their peers, which make them more likely to conform to strong isomorphic pressures and not act as institutional entrepreneurs. In sum, peripheral actors are more likely to become institutional entrepreneurs because they stand to gain more, while risking less (e.g., Elsbach & Sutton, 1992; Greenwood & Hinings, 1996; Kraatz & Zajac, 1996; Leblebici et al., 1991; Rao, Morrill, & Zald, 2000).

Field center and periphery are less clearly defined in emerging fields, which also attract considerable empirical attention at this stage. As institutionalists become more interested in the structuration of institutional arrangements, they also begin to focus on processes of field construction (Aldrich & Fiol, 1994; Anand & Peterson, 2000; Hoffman, 1999; Lawrence & Phillips, 2004; Lounsbury, Ventresca, & Hirsch, 2003; Russo, 2001; Sahlin-Andersson, 1996). Studying emerging fields helps them understand how actors socially construct a shared understanding of the environment that ties clusters of organizations into a 'recognized area of institutional life' (DiMaggio & Powell, 1983: 148-149). They find that in the absence of shared rules and dominant logics, fields consolidate around a central 'issue' (Hoffman, 1999) or 'attention focus' (Anand & Peterson, 2000). Whether these are industry awards (Anand & Peterson, 2000; Anand & Watson, 2004), child nutrition concerns (Lawrence, Hardy, & Phillips, 2002), or environmental considerations (Hoffman, 1999; Lounsbury, 1997; Lounsbury et al., 2003), they interlock previously disparate organizations in a collective endeavour, and help them develop a shared understanding of their field.

Emerging fields are still relatively under-organized domains, characterized by weakly entrenched, relatively localized 'proto-institutions' (Lawrence et al., 2002). Their constituents

recognize some degree of mutual interest, but interact sporadically rather than through a structured system of social positions. Hence, actors lack clearly delineated reference groups of dominant or peer organizations whose isomorphic demands they would have to observe. This ambiguity provides considerable opportunity and motivation for institutional entrepreneurs to act strategically, shape emerging institutional arrangements or standards to their interests, and secure for themselves a central and resourceful position in the emerging field (e.g., Fligstein & Mara-Drita, 1996; Garud, Jain, & Kumaraswamy, 2002; Hargadon & Douglas, 2001; Maguire, Hardy, & Lawrence, 2004).

These choices to primarily attend to peripheral actors and emerging fields have meant that this strand of research has greatly advanced the notion of agency in institutional theory, but has done less for addressing the puzzle of embedded agency. Attention to dissatisfied actors as principal change agents is problematic insofar as they are considered relatively isolated from isomorphic pressures. Similarly, emerging fields are characterized by low institutionalization and weak isomorphic constraints on human agency. As a result, the concept of institutional entrepreneurship has predominantly been developed from cases of strong agency, but weak embeddedness.

This empirical one-sidedness has been reflected in theory development as critics note that the resultant understanding of agency is overly voluntaristic, individualistic and disembedded (e.g., Lawrence, Suddaby, & Leca, 2009; Leca & Naccache, 2006; Lounsbury & Crumley, 2007; Seo & Creed, 2002). Accounts of institutional entrepreneurship have been criticised for showing processes of institutional formation rather than transformation that are driven by ‘active, rational opportunists, [...] ready to take any action for institutional change that will enhance their individual interests, unconstrained by existing institutional arrangements’ (Seo & Creed, 2002: 240). They emulate a model of planned change with institutional

entrepreneurs engaging in actions that are ‘purposive’ (Lawrence & Suddaby, 2006), or ‘directed toward’ (Lawrence, 1999) realizing a preferred institutional arrangement.

Disadvantaged actors may be more motivated to initiate and plan change, but they are also less equipped to make it stick. However, while the importance of mobilizing coalitions and socio-political resources has been recognized, the focus largely remained on the skills and characteristics of mobilizing actors (e.g., Fligstein & Mara-Drita, 1996; Garud et al., 2002; Maguire et al., 2004), rather than the activities of a collective. Accounts ‘evoke the image of a single organization acting innovatively’ (Greenwood & Suddaby, 2006; Hargrave & Van de Ven, 2006; Lounsbury & Crumley, 2007) or a heroic or ‘hypermuscular’ (Lawrence et al., 2009) activist leading a movement of less empowered followers, suggesting that this early research is more about entrepreneurs, rather than entrepreneurship.

The increasing interest in emerging fields and field construction distracts institutionalists from research in mature fields, such as the established professions. With knowledge-intensive occupations such as management consulting, investment banking, engineering or architecture aspiring to professional status, expertise-based definitions of professionalism confront professional ones (Brint, 1994) and favor resource-based over institutional perspectives on these organizations. As exemplars of knowledge-intensive organizations (Alvesson, 1995, 2001; Empson, 2001; Hansen, Nohria, & Tierney, 1999; Morris, 2001; Starbuck, 1992, 1993) PSFs are deemed instructive cases for advancing a knowledge-based theory of the firm (Grant, 1996) and their professional staff are primarily considered as carriers of knowledge, not institutional norms. Similarly, the rise and increasing internationalization of PSFs draws attention to their management structures (e.g., Aharoni, 1993; Brock, Powell, & Hinings, 1999; Cooper, Hinings, Greenwood, & Brown, 1996; Greenwood & Hinings, 1994; Maister, 1993), but not to their embeddedness in broader institutional arrangements. In this sense, even

though the mid-1990s produce a plethora of research in professional firms, little of it applies the institutionalist lens.

However, to address the criticisms discussed above and take seriously the embeddedness of agency in stable institutional structures, institutional entrepreneurship research re-oriented its empirical focus and attended to instances of institutional change initiated by privileged, central actors in mature fields who so far had been assumed to be strongly embedded and unmotivated to challenge the institutional status quo.

Embedded action by central elites in mature fields

In response to critiques that initial accounts of institutional entrepreneurship somewhat overshot the mark of incorporating agency into institutional theory and lost sight of embeddedness, later studies work towards an understanding of ‘institutional entrepreneurship as embedded agency’ (Garud et al., 2007). These efforts produce a trend to move away from emerging fields and focus on mature fields that have traditionally been associated with organizational homogeneity, and institutional stability (DiMaggio & Powell, 1983; Tolbert & Zucker, 1983).

Drawing on Seo and Creed’s (2002) ‘contradictions’ framework, this line of research argues that the potential for entrepreneurship and change is inherent to most fields because tensions between contradictory logics intensify as fields mature. Organizations at the interstices of different institutional prescriptions are more able, and often motivated, to consider different responses to institutional pressures and initiate change (e.g., Djelic & Quack, 2003; Greenwood, Magàn Diaz, Li, & Céspedes Lorente, 2010; Jarzabkowski, Matthiesen, & Van de Ven, 2009; Kraatz & Block, 2008; Pache & Santos, 2010; Reay & Hinings, 2005). As these fissures and contradictions run across fields, and not just their periphery, even elite organizations at the field center may become motivated and enabled to initiate change (e.g., Greenwood & Suddaby, 2006; Rao, Monin, & Durand, 2003; Sherer & Lee, 2002). This type

of actor was previously hypothesized to feel least motivated to challenge institutional arrangements, most constrained by institutional pressures, and, thus, most firmly embedded, so that institutional entrepreneurship originating in their midst constitutes an ‘exemplar of embedded agency’ (Greenwood & Suddaby, 2006).

As Greenwood and Suddaby (2006) elaborate, a subjectively perceived shortfall in performance vis-a-vis competitors is sufficient to instill a sense of dissatisfaction and motivate even elite actors to exploit their awareness of alternative institutional arrangements to address their crisis. In this view, embeddedness becomes a relative, rather than a binary phenomenon insofar as it influences the nature of the institutional contradictions actors experience, the institutional arrangements they can develop, and the economic or socio-political resources they can mobilize, so that ‘embedded’ institutional entrepreneurs in mature fields combine characteristics that make them ‘both marginal and central’ (Castel & Friedberg, 2009).

As institutional theorists engage more closely with contradictions and the transformation of existing institutional arrangements, they broaden their focus from institutional ‘creation’ to include entrepreneurial efforts to ‘disrupt’ or ‘maintain’ existing arrangements (Lawrence & Suddaby, 2006; Lawrence et al., 2009). At the same time, attention migrates from institutional entrepreneurs to entrepreneurship, from questions of who the entrepreneurs are and where they are located, to what they do and how they do it to accomplish the ‘institutional work’ (Lawrence & Suddaby, 2006) of (trans)-forming institutional arrangements according to their interests. Empirical research increasingly focuses on practical actions and interactions that reconstruct institutional arrangements (Jarzabkowski et al., 2009; Kellogg, 2009) or the rhetorical strategies that change agents employ to theorize and legitimize change (e.g., Greenwood, Suddaby, & Hinings, 2002; Jones & Livne-Tarandach, 2008; Maguire & Hardy,

2009; Munir & Phillips, 2005; Suddaby & Greenwood, 2005; Weber, Heinze, & DeSoucey, 2008; Zilber, 2006, 2007).

These studies also problematize the previously prevailing image of the ‘heroic’ entrepreneur who single-handedly takes on institutional structures. Institutional scholars more comprehensively engage with ideas from the social movement literature and begin to describe institutional entrepreneurship as a collective endeavor, bringing together a variety of actors who coalesce around their common project, but may not follow a specific organization’s lead (Den Hond & De Bakker, 2007; Hargrave & Van de Ven, 2006; Lounsbury & Crumley, 2007; Rao et al., 2003; Reay, Golden-Biddle, & Germann, 2006; Wijen & Ansari, 2007).

Searching for strong cases of embedded action that illuminate the transformation of existing, rather than the creation of new institutional arrangements, empirical work in this stream of research rediscovers classic professions such as accounting, healthcare and law as fruitful research settings, exemplifying highly institutionalized fields. The apparent stability and strength of institutional structures in professional contexts, as well as the recognized role of professionals as institutionalized and institutionalizing actors (e.g., DiMaggio & Powell, 1983; Scott, 2008) make professional contexts an appropriate empirical setting for studying embedded motivated action. Instead of the professions per se, however, institutionalists now attend to professional service firms as elite actors in mature fields. For instance, Greenwood and colleagues publish a series of papers on the efforts of the ‘Big Five’ global accounting firms to legitimize multi-disciplinary practice as an appropriate organizational form (Greenwood & Suddaby, 2006; Greenwood et al., 2002; Suddaby & Greenwood, 2005). Covalleski and colleagues (2003) attend to the same set of elite organizations and their interactions with professional and regulatory bodies in legitimizing new work practices. Sherer and Lee (2002) choose elite US law firms to document the demise of the highly institutionalized ‘Cravath’-style promotion system.

What has remained surprisingly underexplored in this extreme swing from emerging to mature fields, however, are those proto-professions and proto-professional firms whose institutional projects have made some progress, but whose organizational forms, practices and logics cannot yet be considered fully institutionalized. These arenas, which we describe as ‘maturing’ fields, combining characteristics of emerging and mature fields, may hold particular conditions for institutional entrepreneurship. Drawing on illustrative data from the German management consulting field (Reihlen, Smets, & Veit, 2010), we explore those conditions and the strategies that consultancies employ to manipulate the institutional ramifications of their own existence and operation.

Institutional entrepreneurship in a maturing field: The case of management consulting in Germany

Management Consulting as a Maturing Field

We classify the management consultancy field in Germany as a ‘maturing’ field as it combines both *emerging* and the *mature* properties. Management knowledge constitutes the central ‘issue’ of the consulting field. Its creation, dissemination and application connects consulting firms with academic institutions, media companies and client firms and outlines a collective endeavor around which they can coalesce (Engwall & Kipping, 2002; Faust, 2002a; Suddaby & Greenwood, 2001). Together, they form a ‘recognized area of institutional life’ in the sense of DiMaggio and Powell’s (1983: 148) field concept, namely a ‘fashion-setting community’ that feeds on the ‘dramatization of newness’ (Faust, 2002a).

Kipping and Armbrüster (1999) highlight that the relatively imprecise nature of the consultancy concept, the multitude of specializations, and the frequent change of products and producers complicate the definition of field boundaries. Unlike other professional business services such as law or accounting, management consulting is not a protected occupation that requires professional certification and accreditation (Armbrüster, 2006; Groß & Kieser, 2006;

Kipping & Armbrüster, 1999). Industry associations do exist, but they play a largely supporting and representative role, contrasting greatly with the formally accredited professional associations that regulate the practice of lawyers, accountants, and physicians. Industry associations provide opportunities for training and exchange, and they help small management consultancies to build credibility and reputation (Clark, 1995; Groß & Kieser, 2006). Hence, the isomorphic pressures commonly exerted by professional associations or the state are weak in the consultancy field (Armbrüster, 2006; Groß & Kieser, 2006). In this sense, the management consulting field is still emerging, characterized by residual institutional ambiguity and competing ideas of appropriate consulting practice.

Simultaneously, however, the perceived status of consultancy services and the way in which field constituents interact with and perceive each other show signs of increasing field maturity. Although management consulting is still a relatively young industry, it has positioned itself as ‘the world’s newest profession’ (McKenna, 2006), attaining quasi-professional status based on the knowledge intensity of its services (Brint, 1993; Groß & Kieser, 2006; Maister, 1993). Its large growth rates during the 1990s ‘were being added to a mature frame, not an adolescent skeleton’ (McKenna, 2006), suggesting significant progress towards fuller institutionalization.

Another indicator of field maturity is the stratification of elites and non-elites, which differ in both scale and reputation (Greenwood and Suddaby, 2006). Similar to the more traditional law (Empson, 2007a) and accounting professions (Greenwood & Suddaby, 2006) whose highly reputable firms are collectively known as the ‘Magic Circle’ or the ‘Big Five’ respectively, the consulting field is clearly stratified along these dimensions, distinguishing a small group of elite organizations from their peripheral competitors in both the global and German contexts. In 2006, the top ten consultancies in Germany (out of approximately 14,250 incumbents) controlled a market share of 18%¹. With the exception of Roland Berger Strategy

Consultants, a leading national player, the German consulting market is dominated by the global elite of American consulting firms such as McKinsey & Co., Booz Allen Hamilton, and The Boston Consulting Group. Most of those firms entered the European market in the consulting boom of the 'golden sixties' (Kipping, 1999) and established the significant presence they still enjoy today.

Hence, while the boundaries of the management consultancy field are relatively fuzzy, its center is very clear. The stratification of elite and non-elite organizations, combined with the fluidity of field participation, the absence of strong isomorphic pressures, and the resultant institutional ambiguity suggest that management consulting is best described as a *maturing* field. Management consultancy is caught in limbo between early emergence and full structuration. This trait suggests that processes of institutionalization are ongoing, but that there is still considerable scope for entrepreneurs to shape maturing arrangements in ways that enhances their institutional capital (Lounsbury & Glynn, 2001; Oliver, 1997).

Even more than in an emerging field, in a maturing field organizations may find particularly motivating and enabling conditions for strategic action. The lack of institutions of professionalism (Armbrüster, 2006; Groß & Kieser, 2006) creates institutional ambiguity, and therefore weaker institutional constraints. Additionally, local or global elites can use their reputations and resourcefulness to shape maturing institutional structures to their advantage. The elites' exposure to top clients and multiple industries also helps them influence institutional arrangements (Greenwood & Suddaby, 2006) and give direction to their institutional strategies. These institutional and organizational conditions enable strategic action, while the prospect of increased competitive advantage and economic reward acts as a motivator. Given that institutional arrangements benefit the interests of their promoters, individual consultancies are motivated to promote rules and structures that enhance their institutional capital and competitive advantage (Lounsbury & Glynn, 2001; Oliver, 1997). These specific institutional

conditions suggest that the management consultancy field is a particularly rich setting in which to explore strategies for creating and sustaining institutional capital.

Drawing on generic strategies by which self-interested actors may impose institutional constraints on other field participants (Lawrence, 1999) or relax their own (Oliver, 1991), we analyze how consulting firms in Germany manipulate their institutional context to enhance their institutional capital (see especially Reihlen et al., 2010).

Co-optation and Lobbyism

The customization of consultancy services (Fosstenløyken, Løwendahl, & Revang, 2003) and the role of networked reputation in acquiring client projects (Glückler & Armbrüster, 2003) mean that personal relationships play a strong role in selling consultancy services. Marketing measures are often personalized and aimed at forming networks with decision-makers in client organizations (Armbrüster & Barchewitz, 2004). Thus, the consultancy field is highly susceptible to personalized institutional strategies such as co-optation and lobbyism (see Oliver, 1991). In this specific case, co-opting may take one of two forms, depending on whether a stakeholder is imported into the consultancy or a consultant exported to co-opt an external stakeholder ‘from within’.

Because of the relationship-driven nature of their service, management consultancies focus on incorporating employees with existing personal networks into their own business. This incorporation is exercised through *lateral hires*, the hiring of experienced professionals from competitors (Kaiser, 2004; Ringlstetter & Bürger, 2004). Especially when firms move into new areas of practice, experienced professionals that bring their personal networks of colleagues and clients may provide a crucial boost for business development (Malos & Champion, 1995).

A derivative of co-optation that is specific to consultancies and other professional service firms is known as *outplacement* (Maister, 1993), which does not rely on integrating im-

portant institutional decision-makers into the organization, but on placing loyal employees in client organizations or regulatory agencies. For many consulting firms with an ‘up-or-out’ tournament promotion system (Galanter & Palay, 1991; Gilson & Mnookin, 1989) outplacement has become an institutionalized solution to infusing the organization with new ideas, but it has ‘also created a network of former employees who served as ambassadors ... within other organizations that might otherwise have been wary of employing consultants’ (McKenna, 2006). The prevalence of the outplacement strategy as an instrument for reinforcing consultant-client ties is illustrated by a survey of the professional backgrounds of the DAX-30 board membersⁱⁱ.

On average, 16% of all DAX-30 board members have a background in management consulting. The results ranged from zero to 50%; figures close to 50% suggest close relationships between the corporation and the consulting field and in some cases with a specific consulting firm. Notably, in the chemical or automotive industry, where a strong life science or engineering background is desirable even among top executives, only one out of 36 board members have a consulting background. Conversely, DAX-30 banks recruited one third of their board members from among former management consultants.

Given our indicator, by far the most successful firm in outplacing former employees into client organizations — is McKinsey & Companyⁱⁱⁱ, the industry leader in the German consulting market. Of all former consultants on DAX-30 executive boards, 43% are former members of McKinsey. More importantly, in exceptional cases such as the Deutsche Post and the Deutsche Postbank, former employees of McKinsey occupy 50% and 44%, respectively, of the top-management positions. At the same time, McKinsey has attained an informal status as ‘consultancy of choice’ for both companies, reducing the volume of new business that competitors have been able to acquire. In 2006, McKinsey generated an annual fee income of an estimated €80m, accounting for approximately 13% of total fee income, from this relation-

ship (Lixenfeld, 2008; Student, 2008). Although the survey of DAX-30 companies is indicative, the alumni networks of large consultancies reach much further. McKinsey's German alumni network comprises approximately 1,800 managers (Reischauer, 2005) compared to about 1,000 former BCG consultants (Student, 2006).

The prospect of *outplacement* to prestigious client firms increases the attractiveness on the graduate labor market (Reischauer, 2005; Student, 2006). It creates institutional capital in that it helps attract new talent from leading business schools and fuels the constant stream of new entrants that is needed to sustain the up-or-out promotion system. Additionally, consultants that have successfully been outplaced with clients can help their former employer secure a steady stream of new projects, based on good personal relationships and information advantages (Bresser & Millonig, 2003; McKenna, 2006). However, the benefit of these client-consultant ties is mutual as clients can also benefit from employing former consultants. Their inside knowledge of their former firm makes it possible for them to manage service delivery more effectively and to raise performance expectations (see Van den Bosch, Baaij, & Volberda, 2005). For instance, former consultants in client organizations may have maintained good personal relationships with partners in the consultancy through whom they can sanction low-performing consulting work.

Within *New Public Management* initiatives, management consultancies are increasingly seconding members to government and policy-making committees (Bill & Falk, 2006; Faust, 1998). A prominent example in Germany is the so-called 'Hartz Committee' on labor market reform, to which McKinsey and Roland Berger Strategy Consultants seconded senior members. Work on policy-making committees builds reputation, but more importantly, it constitutes a deliberate attempt to demonstrate the value of consulting services for society. Similar to client outplacements, these temporary endorsements represent a form of co-optation that enhances consultants' institutional capital, creating public awareness and legitimacy for con-

sulting work in this sector. Such a ‘committee first, then consulting’-strategy (Manager Magazin, 2004) opens up the public sector as a new and lucrative market for consulting services. In 2004, public organizations spent about €1 billion on consulting fees, accounting for approximately 8% of the total German consulting market (Falk, Rehfeld, Römmele, & Thunert, 2006).

However, these efforts to build institutional capital also had unintended consequences that reduced it. As new stakeholders surfaced, government watchdogs began to scrutinize the government use of management consultancies; journalists and academics publicly questioned its legitimacy. The increasing influence of management consultants on political decision-making is now met with great skepticism as critics observe the emergence of a ‘republic of consultants’ (Leif, 2006; Niejahr & Bittner, 2004) in which political decision-makers depend increasingly on external consulting expertise. Following a resolution of the Budget Committee of the German Bundestag, the Federal Audit Office (Bundesrechnungshof) developed guidelines for government relations with, and the use of, management consultants (Bundesrechnungshof, 2006). Hence, when some elements of the institutional environment, but not others, are co-opted to align with organizational interests, unintended consequences for firms’ institutional capital can occur.

This means that the deliberate competitive or institutional strategies of individual firms may entail both positive and negative unintended consequences that drive the developing process of institutional change. Deliberate and emergent, and competitive and institutional components of strategy influence each other through feedback loops. For instance, the deliberate outplacement of qualified consultants in client organizations solves the incentive problems of an up-or-out career system, but also creates an emerging pattern of organizational actions that may institutionalize the use of consultancies by clients. Similarly, consultants’ work on policy committees generates fee income and, at the same time, creates the incidental

by-product that political consulting becomes increasingly indispensable and eventually taken for granted in the public sphere.

Membership

Membership strategies specify which organizations can legitimately exercise particular functions and thus derive benefits resulting from their activity. Nevertheless, in addition to Lawrence's (1999) original conceptualization of membership strategies, we also find distinct non-membership strategies among German management consultancies.

Small and medium-sized consultancies pursue a membership strategy in Lawrence's (1999) sense, in that they organize themselves in industry associations such as the *Bundesverband Deutscher Unternehmensberater (BDU)* or the *RKW Beratungsnetzwerk*. These associations, which serve as substitutes for established professional associations with regulatory functions, signal a minimum of consultancy competence and quality to potential clients (Groß & Kieser, 2006).

By contrast, for leading international consultancies such membership strategies are counterproductive. In the absence of a protected occupational title and formal professional accreditation, reputation serves as a proxy for quality. Hence, elite firms can use their reputation as a 'membership criterion' and form a strategic group (McGee & Thomas, 1986) of management consultancies defined by elite status (Ferguson, Deephouse, & Ferguson, 2000). Their rigorous, strict demands serve to maintain the exclusivity of their circle and to establish a company-specific 'micro-profession', which is reinforced by in-house monitoring of quasi-professional principles (McKenna, 2006)^{iv}. This legitimation-qua-reputation gives elite consultancies access to knowledge and policy-making arenas in which best practices are created, validated, or diffused (Suddaby & Greenwood, 2001).

By steering clear of more inclusive industry associations, elite firms avoid reputational contamination and external institutional influence. In this sense, they pursue a *non-*

membership, or exclusivity, strategy to enhance their individual institutional capital and weaken that of their smaller competitors.

Standardization

Standardization strategies define what is to be seen as normal, for example, for a particular service. In this respect, membership and standardization strategies are interdependent, since both promote and eventually institutionalize consistent standards of professional practice and service quality. Those consultancies that promote a standard – and which most likely already comply with it – automatically gain legitimacy advantages and enhance their institutional capital.

For instance, in an attempt to strengthen the collective reputation and legitimacy of the consulting profession, the BDU filed a request to the Ministry of Economics to protect the title *Unternehmensberater* (management consultant) under occupational law. According to the proposal, the title *Unternehmensberater* should have been awarded conditional upon specific credentials, such as academic training or practical experience. But in December 1997, after debates the proposal was rejected by the ministry (Glückler & Armbrüster, 2003; Groß & Kieser, 2006; Handelsblatt, 1997).

In accord with their non-membership strategy, elite consultancy firms with a strong position in their particular fields can use more subtle standardization strategies to enhance their individual, rather than the collective, institutional capital. These consultancies can raise to the status of an institution those practices, procedures, and products in which they have competitive advantages. In this context, the creation of management fashions constitutes a standardization strategy. It at least temporarily institutionalizes concepts or practices by ascribing to them a value over and above their technical merit (Lawrence, 1999). Although fashions are transitory rationality myths and only weakly institutionalized, nevertheless, while they last they are regarded as standards in their respective areas for the duration of their life-

cycle. Their technical merit is not evaluated strictly by goal attainment, because their application confers benefits of perceived conformity with superior norms of rationality and progress (Benders & van Veen, 2001; Kieser, 1997; Suddaby & Greenwood, 2001).

Consultancies as ‘expert theorizers’ (Strang & Meyer, 1993) occupy privileged positions in arenas where the legitimacy of competing management innovations is constructed and contested. Within these arenas, their status enhances the impact and ‘positive normative emulation’ of their ideas (Suchman, 1995). Thus, management fashions become important standardization devices of socially constructed business solutions. A consultancy that successfully establishes its own concepts or procedures as temporary standards enhances its own institutional capital, because it develops market preferences that constrain its competitors, which are forced to adapt and subscribe to concepts or procedures in which they are at a technical disadvantage. Further, as the use specific consulting services becomes a more standardized response to certain management problems, the standardization efforts of individual firms can build collective institutional capital for the entire industry.

Influence

Generally, the successful marketing of consultancy services depends on a positive perception of the engagement of consultants in the target industry. The strategic influence of such a fundamental attitude can endow consultancy services with normative, and eventually cognitive, legitimacy (Røvik, 2002; Suchman, 1995).

There is clear evidence that in the past consultancy firms have successfully influenced the value systems not only of their clients, but also of society at large, so that the support services they provide to management teams and policy makers have become taken for granted (Falk et al., 2006; Faust, 1998; McKenna, 2006; Suchman, 1995; Wimmer, 1992). These observations resonate strongly with Meyer and Rowan’s (1977) argument that the modernization of society makes more areas of society accessible to the rules of rationality. Management con-

sultancies have been able to use and propel this trend by reaching out to new groups of potential clients and applying their expertise to new types of problems which traditionally had not been open to their services (Ernst & Kieser, 2002b; Rudolph, 2004).

Influencing strategies may involve other strategies of institutional manipulation, such as outplacement and secondment strategies. However, these strategies may be more wide-ranging, especially in areas where firms try to influence societal value systems more generally and open up new markets.

In the business sector, consulting firms can rely on their ‘systems of persuasion’ (Alvesson, 1993) to create institutionalized myths that buffer their operations from questioning. Based on a study of self-presentations by various global management consultancies on the internet, Bäcklund and Werr (2001) conclude that management consultancies use prevalent social myths of rationality, globalization, and universality to institutionalize their services as necessary components of successful management.

To influence value systems outside their traditional management domain, consultancies can use support strategies to demonstrate their value for political decision-making. Active engagement in social and environmental issues has also become an important mission for a large number of businesses that put corporate social responsibility and corporate *citizenship* high on their agenda. Management consultancies can work ‘pro bono’ to display their social responsibility, i.e., deliver services for projects of social relevance free of charge (e.g., BCG, 2008; McKinsey, 2008b; Roland Berger, 2008a). However, these initiatives also provide a strong platform for more wide-ranging societal strategies.

From the institutionalist perspective, pro bono work not only builds reputation as a socially responsible organization, more importantly, it also creates impressions of ubiquity that may be perceived as an indicator of acceptance and legitimacy. Pro bono work gives consultancy firms a legitimate presence in social domains that were previously not accessible to

them due to incompatible value systems. Especially the large, elite consultancies have developed their status as the new ‘reflective elite’ (Deutschmann, 1993; Faust, 2002a) or the ‘supra-experts’ (Ernst & Kieser, 2002a) by applying their expertise pro bono to societal problems as diverse as climate protection (McKinsey, 2007), restructuring the church (see Hardt, 2004; Neidhart, 1997), national innovation systems (BCG, 2006), and city attractiveness (Roland Berger, 2008b). These initiatives counter negative public perceptions of consultants as hyper-rational cost-cutters. They build a legitimate basis of activity for consultancies in a wide range of societal sectors and thereby develop the consultancies' individual and collective institutional capital. Consultancies' individual efforts to manage their reputation collectively drive the institutionalization of management consultancy throughout society.

However, we note that the influencing strategy should not be considered in isolation from other, superior institutional arrangements. For instance, from a historical perspective, it is clear that the influence of management consultancies in societies with traditional values of status, prestige, and authority is lower than in meritocratic societies, which stress functional values of effectiveness and efficiency (Faust, 2002b). Therefore, an important question is to what extent changes in social values can be influenced by individual institutional entrepreneurs.

Conclusion

Institutional entrepreneurship has become an emerging and increasingly important research area in the field of professional services. Institutionalists make important progress in understanding field-endogenous sources of institutional change. They blend new institutionalist ideas of embeddedness with ‘old’ ideas of interest dissatisfaction (e.g., Greenwood & Hinings, 1996; Hirsch & Lounsbury, 1997b) and find ways of explaining this motivation for change as inherent to mature institutional structures (Greenwood & Suddaby, 2006; Seo & Creed, 2002). However, attention to dissatisfied actors as principal change agents isolated

from isomorphic pressures is problematic for addressing the paradox of embedded agency since it appears to bypass rather than address the paradox of embedded agency. Similarly, studies of institutional change in emergent fields attend to contexts of low institutionalization and weak isomorphic constraints on human agency. As a result, concepts of endogenous change have predominantly been developed from cases of strong agency, but weak embeddedness. Therefore, we have chosen management consultancies which provide an interesting setting for studying embedded institutional entrepreneurship due to the institutional ambiguity and low pressures from ‘proto-institutions’ (Lawrence et al., 2002) in this maturing field.

The findings of this study advance the understanding of institutional entrepreneurship in three partially interrelated ways. First, we contribute to the understanding of institutional entrepreneurship in maturing fields. We attend to the previously neglected middle ground between emerging fields in which multiple structures, practices, and logics vie for predominance and mature fields with firmly entrenched institutional structures. We discuss the particular conditions that entrepreneurially-minded actors find in maturing fields and that motivate and enable action in ways that differ from those previously documented in the literature. We outline a portfolio of strategies that institutional entrepreneurs in our study employ and show how these strategies serve a dual purpose: creating individual competitive advantage and enhancing individual or collective institutional capital. This interplay of competitive and institutional strategy has previously received little attention.

Second, this study elaborates the concept of *distributed agency* (Quack, 2007), which becomes important when considering the field of management consultancies. There is typically no centralized control in the consulting field, since no single agency with a monopolized power position exists to dictate the behavior of other agents. The co-presence of multiple types of actors like consulting firms, media, clients, business schools and industry associations with different levels of involvement implies that agency is distributed across actors.

With multiple localized actors contributing to an institutional change, the formation of institutional strategies may be better understood as interplay of emergent and deliberate actions. In our case, deliberate actions to create individual competitive advantage for specific consulting firms created an emergent institutional strategy that can retrospectively be identified as having enhanced the institutional capital of the entire industry. As Mintzberg (1987a, b) suggests, strategies need not be deliberate, but can also emerge from incremental and distributed patterns of actions. Although these have generally been viewed as mutually exclusive opposites, Quack (2007) has found institution building to involve both, practitioners' practical problem solving and firms' deliberate political interventions.

Third, departing from the idea of distributed agency and emergent strategy, the strategic formation can be seen as a social movement in which the sum of a disperse actions make up the development of the institutional field. Traditionally, the implicit model of change has been one of planned change, in which dissatisfied actors engage in actions that are 'intentional' (Hargrave & Van de Ven, 2006: 867), 'purposive' (Lawrence & Suddaby, 2006: 217), or 'directed toward' (Lawrence, 1999: 168) realizing a new institutional arrangement. This imagery of planned institutional change seems not only to discount the interference of conflicting interests by other field participants, but also early-stage experimentation in which an institutional change project takes shape. In contrast to this position, the dynamics in such an organizational field come from the collective behavior, which can be considered as a self-organizing system in which actors respond to their local environment resulting in global patterns of actions. For example management fashions rather emerge from non-orchestrated and collective action of distributed agents rather than individual endeavors, which proposes a new perspective on institutional strategy formation, opposing the idea of individual institutional entrepreneurship (Garud & Karnøe, 2003; Hargrave & Van de Ven, 2006; Quack, 2007; Reay et al., 2006). Thus, in this context institutional strategies are the sum of deliberate individual strategies of distributed agents through which they intend to improve their own competitive

position. These emerging patterns of collective actions trigger institutional change through complex feedback loops between other organizations in the industry setting.

Avenues for *future research* can be found along different strands. Theoretically, institutional entrepreneurship research has to overcome individualistic approaches that portray entrepreneurship as an overly voluntaristic endeavor or develop collectivist approaches that regard entrepreneurship as a surrogate of collective meaning systems. Alternatively, a systemic approach to institutional entrepreneurship promises a meta-theoretical perspective that allows integrating agency and structure and blends the micro- and macro-foundations of institutional entrepreneurship (Reihlen, Klaas-Wissing, & Ringberg, 2007).

Empirically, maturing fields like management consulting are particularly interesting settings, which offer potential for further insights on organizational field formation, disruption, and reconstruction. Since institutional entrepreneurship has traditionally been investigated in emerging or mature fields, maturing organizational fields that are caught in limbo between structurally unconfined and highly embedded agents would further inform institutional theory. In empirical studies, the consulting industry can be further differentiated into strategic groups that show different behavioral patterns during processes of institution formation. Also the drivers for the self-organizing behavior of dispersed agents in this context calls for further research which explains the interplay among institutional agents and between agents and institutions.

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1 Reihlen, Markus; Smets, Michael; Veit, Andreas (2010) Management Consulting Firms as Institutional Agents: Strategies for Creating and Sustaining Institutional Capital.

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Notes

ⁱ Calculations based on BDU. 2007. Facts & Figures zum Beratermarkt 2006/2007. Bonn: Bundesverband Deutscher Unternehmensberater BDU e.V. and Lünendonk. 2008. Top 25 der Managementberatungs-Unternehmen in Deutschland 2006: Lünendonk.

ⁱⁱ The DAX-30 lists the 30 largest German companies, publicly listed at Frankfurt stock exchange. It is the equivalent to the FTSE100 in London or the Dow Jones Index in New York. Information on consulting backgrounds was gathered from publicly available executive biographies.

ⁱⁱⁱ In the following we refer only to McKinsey.

^{iv} For instance, McKinsey & Co's firm-specific network alone, composed of 14,500 active consultants and 18.000 alumni McKinsey. 2008a. About us, Vol. 2008., comprises more members than the BDU representing 530 firms covering 13,000 individual consultants BDU. 2009. Der BDU, Vol. 2009. This network makes it possible for McKinsey to act as a one-firm micro-profession.