

# From Institutional Contradictions to Organizational Transformation: The Case of a University Merger

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Organizations operate under a multiplicity of different and competing societal-level belief systems that shape both organizations and individuals (Powell & Bromley, 2013). For instance, in higher education academics face competing prescriptions based on the logic of science and the logic of commerce. The former fosters the search for truth and the public sharing of knowledge, the latter is guided by private property rights and the exploitation of knowledge for commercial ends (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Organizational researchers recently have become interested in how competing institutional logics play out on the micro-level by struggles over interpretative dominance. To date, we recognize three main approaches how organizations deal with competing field-level logics on the organizational level. The approaches “define ways in which two groups adapt to each other and resolve emergent conflict” (Nahavandi & Malekzadeh, 1988: 82).

The first approach is based on prioritizing one over the other competing logics. Prioritizing may either be the result of one group’s willingness to adapt to a different belief system and therefore abandon a dominant part of their culture and their practices or prioritizing may be the result of an open contestation for interpretative dominance, in which groups mobilize power to gain influence on the institutionalization of the organization’s dominant logic. An interesting account of the latter position is the Pache and Santos (2010) paper, in which the authors explain how conflicting institutional demands are moderated by political processes leading to different organizational responses (see also Heimer, 1999).

A second approach is separation. In contrast to prioritizing, separation does not lead to a dominant institutional logic. Rather, “inherent contradiction” (Lavie, Stettner, & Tushman,

2010) or “paradoxical cognitive frames” (Smith & Tushman, 2005) are preserved in different organizational compartments. By a clear division of work that mirrors different institutional demands members resist any attempt to become assimilated or integrated into a single logic. Separation or compartmentalization is a structural solution through which organizations can maintain multiple identities (Kraatz & Block, 2008; Pratt & Foreman, 2000) in structurally differentiated hybrid organizations.

A third approach is striving for balance. Striving for balance is based on the idea that existing institutional logics are in close interaction and can be reconciled. Members are, in principle, willing to learn from each other and engage in cooperative solutions and forge links among opposing logics (Kraatz & Block, 2008; Pratt & Foreman, 2000). In their study of a global law firm that was exposed to two different institutional logics, Smets and colleagues (2012) show how lawyers dealt with emerging contradictions in practice. They show how these logics become enacted and hybridized in practice and explain “mechanisms by which practice-level adaptations emerge, are justified, consolidate within an organization, and radiate to the level of the field” (p. 898). Binder (2007) illustrates creative responses to institutional contradictions as the combination and generation of practices based on professional commitments, personal interests, and interactional, on-the-ground decision making. These existing approaches do not sufficiently explain radical organizational transformations as a response to institutional contradictions.

On the basis of participant observations, 50 semi-structured interviews, and archival materials of a unique university merger case, we develop a grounded theory that explains a fourth approach how institutional logics become enacted in practice on the micro-level, which we label transformation approach. Our study reports the case of a merger of two distinct institutional types – a university and a polytechnic – with different educational objectives, hiring practices and scholars’ understanding of research, teaching, and university-praxis-

relations. During the transformation, an almost complete dissolution of former structures occurred, qualifying the case as an organizational transformation with a newly emerging dominant logic. The resulting transformation model differs from existing approaches and informs scholars in both the field of institutional theory and the field of higher education. First, our study offers a new theoretical explanation for radical institutional change and therefore provides a more comprehensive model that accounts for different mechanisms of change. We demonstrate how organizational transformation is achieved by developing a radical novel way of how the organization sees itself, how its identity is defined, and how it positions itself in the organizational field. This insight is in contrast to previous studies which assume that competing logics within organizations are either managed through prioritizing or separation or through hybridization of practices. Second, the transformation model is to our knowledge the first comprehensive micro level model that explains how competing logics at the interstices between the field and the organization are managed through “purposive action ... aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006: 215).

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