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# Theoretical Building Blocks for a Research Agenda

## Linking Globalization and Institutions

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The objective of this chapter is double. First, we take stock of the ways in which the institutionalist literature deals with issues of institutional change and institutional emergence. Then, we try to show how the connection we make between globalization and institutions opens up new theoretical directions.

Under the label ‘institutionalism’ or ‘institutional theory’, one finds a rather heterogeneous body of literature originating from different disciplines and based on rather distinct ontological assumptions about human behaviour. Building upon Hall and Taylor (1996) and Djelic (2001) we identify three main and distinct perspectives on institutions that we label respectively ‘rational choice’, ‘cultural’ and ‘historical’.

### Towards a Typology of Institutional Arguments

The ‘rational choice’ perspective is found predominantly amongst economists and political scientists – particularly for the latter group in the international relations literature. This perspective tends to focus on formal and structural political and economic institutions. The existence of institutions is accounted for in an essentially functionalist way – institutions are there because they solve problems for actors. Institutional order is seen as arising from negotiations between rational actors pursuing preferences or interests that will in a particular case be better served through coordinated and institutionalized action (Crouch and Streeck 1997). Self-interested actors make decisions and create institutions which they believe most efficient in a particular situation (North 1981; Williamson 1985). From this perspective, both the origins of those frames and action within them reflect a ‘logic of expected consequences’ (March and Olsen 1998).

‘Cultural’ and ‘historical’ perspectives have roots in classical and more particularly Weberian sociology (Weber 1978). In the cultural perspective, institutions are ‘wider cultural and symbolic patterns’, increasingly with a ‘global’ or transnational scope, that shape and to a large extent determine organizations, structures or actors and script behaviours and interactions (Scott, Meyer et al. 1994; Jepperson 2000a). Institutions, from this perspective, are not produced – they are external ‘realities’, they are givens and determining constraints to which actors, structures, organizations or even nation-states conform give or take a degree of decoupling (Meyer et al. 1997). In the long run, those institutions are on an evolutionary path leading towards greater rationalization and this the world over, naturally with standardization and homogenizing effects (Scott, Meyer et al. 1994, pp. 2-4). The origins of this evolutionary path are to be found in cultural schemas provided by Christendom and in the structuration of the modern system of nation-states (Jepperson 2000b). From this type of perspective, action reflects normative patterns. The logic of ‘action’ can be described using March and Olsen’s terms (1998) as a ‘logic of appropriateness’ – knowing, however, that ‘action’ here cannot be understood as ‘free agency’.

From an historical perspective, institutions are frameworks essentially of a political, legal and societal nature. These frameworks are made up of organizations and formal rules and regulations often backed by coercive mechanisms and structures. This perspective insists on the particular significance of nation-states historically for the emergence and structuration of those frameworks. Those national institutional frameworks create powerful constraints at the national level and they lay out path dependencies that explain variations across countries in patterns of action, organization and interaction (Fligstein 1990; Whitley 1992, 1999; Hollingsworth and Boyer 1997; Hall and Soskice 2001). Those path dependencies also explain the robustness of national institutional frameworks – each of which is articulated in fact as a system (Whitley 1999; Maurice and Sorce 2000; Hall and Soskice 2001). From that perspective, the origins of institutional frames are external to actors for whom they essentially represent constraints and coercive mechanisms. And indeed action follows in that perspective what we call a ‘logic of coercive constraint’.

Table 1 brings together in summary form and contrasts those three perspectives on institutions. For the purposes of this volume, we are moving towards our own type of institutional argument (see also Djelic 1998) that combines elements of all three perspectives and more particularly of the ‘cultural’ and ‘historical’ ones in an attempt at cross-fertilization (Djelic 2001).

*Table 1: Towards a Typology of Institutional Arguments*

	‘Rational choice’ institutionalism	‘Cultural’ institutionalism	‘Historical’ institutionalism
Definition of institutions	Formal and structural economic and political frames	Wider cultural and symbolic patterns	Formal and structural political, legal, societal frames backed up by coercive mechanisms
Origins	Rational interest of actors, calculus	Long-term evolution – external reality	Nationally-shaped path dependencies – external reality
Logic of action	Rational interest of actors, calculus	Appropriateness	Constraint

## Definition of Institutions

In this volume, we use an umbrella definition of institutions as consisting of both structures and formal systems on the one hand and normative and cognitive frames on the other that altogether provide stability and meaning to social behaviour (Scott 1995; see also Djelic and Quack in the conclusion to this volume). These sets of institutions owe their survival to self-activating social processes of reproduction (Jepperson 1991). In our view, institutions have both a structural dimension, including formal and informal rules and systems and an ideational dimension, including normative and cognitive patterns. Whereas these two dimensions have always been treated and approached separately and by different streams of the institutional argument, we believe that in order to understand processes of institutional change and emergence both dimensions should be brought together and investigated simultaneously (see also Campbell 1998; Djelic 1998).

We also combine the ‘culture’ and ‘historical’ perspectives in a different manner. We acknowledge the need to take into consideration together and at the same time the two levels of analysis that characterize each of these perspectives – ‘global’ or transnational for the cultural perspective and national for the historical one. As we will see below, one way to reconcile institutional arguments with issues of change and emergence is precisely to look at the interplay and interface between these two spheres or levels of analysis.

Another way in which to bring in issues of change and emergence is to take some distance from descriptions of institutions as constraining or even deter-

mining behaviours – which is predominantly what institutional analyses do both in the cultural and in the historical stream. We need to think also of the enabling functions of institutions. It is necessary to investigate, in other words the ways in which actors creatively recombine and extend the institutional principles at their disposal to devise new institutional solutions to their problems (Sewell 1992; Campbell 1997; Clemens and Cook 1999; Caspar 2000; Kristensen 2000; Lane 2001; Sharpe 2001). It is necessary in other words to think of the conditions for ‘institutional entrepreneurship’ (Fligstein and Mara-Drita 1996). Actors, here, are not the ‘free agents’ of the rational choice perspective but neither are they merely an aggregation of cultural scripts as suggested in the cultural perspective. We will show below that such recombination is much more likely in situations where different institutional frames enter into collision. One place, undeniably, where such collision is significant today is at the interface between national and transnational spheres.

In the following, we look more systematically into the treatment of change and emergence in the institutionalist literature. This naturally comes together with the correlative issues of institutional persistence and its conditions. We point, in the process, to the main building blocks of our own theoretical framework underscoring the ways in which it differs from existing perspectives.

## Institutional Change and Persistence

A core insight behind institutional theory is that the patterning of social life is not produced solely by the aggregation of individual and organizational behaviours but also by institutions that structure actions through regulative instruments as well as normative and cognitive frames. Institutions and social actions are thus seen as being inextricably linked and as reciprocally and mutually constituting each other. Institutional accounts, particularly those fitting under the label ‘historical’ used above, have tended to emphasize the stability and durability of institutions. These accounts are based on an understanding of institutional arrangements where the latter are internally coherent and externally fitted. They tend to focus, furthermore, on the constraining or even determining effects of institutions on social behaviour rather than on potential converse and reciprocal effects.

### *Conditions of Institutional Persistence*

There are two main ways in which institutions can constrain social behaviour – either through external control and sanctioning or through persuasion, voluntary appropriation or socialization. Those institutional arguments that centre on states – their structures and constituent organizations – hence ‘historical’ institutionalism in our typology, tend to underscore the importance of control and sanctioning processes. In those arguments, the nation-state or state agencies have the capacity to establish rules, monitor conformity and exert sanctions if necessary. The power to sanction and control, however, does not have to be restricted to the nation-state and its agencies. Other societal bodies such as private firms and agencies or non-governmental organizations can exert authority based on their control over or access to resources and this may even extend beyond the borders of a particular nation-state with the potential risk of conflicting with or even undermining state authority (Strange 1996).

A second way in which institutions constrain behaviour is through processes of persuasion that operate in the absence of formal and centralized sanctioning authorities. These processes reflect essentially normative and cognitive logics and we identified ‘culture’ institutionalists as focusing more particularly on these types of logics. Norms and values become appropriated and internalized by individuals, groups or organizations, which motivates them to respect and defend the status quo even in the absence of controls or sanctions. Educational and professional organizations are good examples of societal bodies relying on these types of logics to ensure homogeneity and stabilization of behaviours.

Naturally, in situations where diffused rule setting is effected apparently through persuasion, it is much more difficult to identify and/or recognize power and power relations. It seems reasonable, nevertheless, to differentiate between those situations where a number of actors have privileged access to some resources that allow them to promote and push their own normative and cognitive frames and those situations where actors have more equal access to resources and get to develop collectively shared understandings and frames out of mutual interaction and dialogue.

The constraining power and dimension of institutions can explain their persistence and robustness over time. The motives of social actors to support existing institutions and oppose change can reflect the articulation of two complementary rational logics – the fear of sanctions for subordinates and the desire to defend vested interests for dominant groups. These motives can also reveal successful socialization and internalization that led actors to believe that existing institutions are the best, the only or the most efficient solutions.

We propose that the stability, robustness and self-reproducing character of institutions will be all the more pronounced that regulative pressures and systems of control combine with normative and cognitive frames and reinforce each other. Legal institutions, for example, would hardly be as effective if they were not strengthened by actors' internalized beliefs of what is 'right' and 'wrong', of what is 'honesty' and 'fraud', and so on. The view that institutions articulate into systems – particularly at the national level – naturally makes stability and robustness even more likely. The homogeneity and coherence of the whole is assumed to have an impact on the preservation and reproduction of the parts (Burns and Flam 1987; Jepperson 1991; Whitley 1999; Maurice and Sorge 2000; Hall and Soskice 2001).

### *The Nature of Institutional Change*

The extreme picture of a self-stabilizing, self-reproducing and tightly fitted system of constraints, characteristic in particular of historical institutionalism, leaves little place in this form to the idea of institutional system change or to the consideration of institutional emergence.

With respect to change of institutional systems, particularly those institutional systems of a national scope, institutional perspectives have tended to do one of three things. A number of these perspectives have de-emphasized change, pointing at the most to small, progressive or non-consequential steps. This has particularly been the case for the historical stream of institutional arguments. Instead of change, these perspectives have underscored the enduring stability and resilience of national institutional frameworks or systems even in the face of significant pressure for change, as stemming for example from processes of internationalization (D'Iribarne 1989, Whitley 1999; Maurice and Sorge 2000; Zeitlin and Herrigel 2000; Hall and Soskice 2001). Some of the resilience of national institutional systems has been related to what can be called their inherent 'flexibility for stability'. These are mechanisms and properties which enable societal systems to adapt and readjust to changes in their environment without breaking with the overall system logic (Burns and Flam 1987; Offe 1995; Pempel 1998; Quack and Morgen 2000).

Alternatively, some institutional arguments have acknowledged the possibility of a transformation of national institutional frameworks but essentially as a dramatic and rupture-like process, often implying a major crisis (Westney 1987; Djelic 1998). This suggests a picture of punctuated equilibria – a Kuhnian-type succession between periods of stability and moments of paradigm shift (Kuhn 1996; Krasner 1984).

A third approach has pointed to a long-term evolutionary process whereby a world-society carrying standardized and rationalized cultural and normative patterns was building up. In time, national institutional systems were coming to reflect those patterns becoming in the process increasingly homogeneous (Meyer et al. 1997; Jepperson 2000a). This has defined the cultural stream of institutional arguments. Beyond the evolutionary trajectory, there is little specification in that approach of the concrete ways in which this world-society institutional frame is building up and being structured, or of the concrete mechanisms through which it is reverberating and translating into institutional system change at the national level.

From our perspective, a dichotomous opposition in the form of extreme alternative between radical and incremental change is not satisfying. Rupture-like change processes are assumed to have the potential to effect a radical transformation of the core institutional order of a society such ‘that we can speak of a change in type of society’ (Lockwood 1964, p. 244). Incremental institutional change, in contrast, is expected to be path dependent and rarely consequential by definition. Indeed, preexisting institutions constrain the ways in which actors perceive and choose alternative solutions when earlier arrangements become challenged and, as a consequence, the core institutional order of society remains in place, unchanged or, at the most, only slightly modified (North 1990; Campbell et al. 1991; Whitley and Kristensen 1997; Whitley 1999; Maurice and Sorge 2000; Hall and Soskice 2001).

In fact, even in situations of rupture-like change, quite a number of institutional principles will carry over from one period to the next. Campbell (1997, p. 28), for example, concludes from his collaborative work on institutional transformation in Central and Eastern Europe that dichotomies ‘such as these convey the impression that fundamental institutional change is a discontinuous process when even ostensibly revolutionary changes often embody significant evolutionary qualities’.

On the other hand, incremental models of change may be largely overestimating the continuity of institutional arrangements over the long run. In this book we suggest that, in certain circumstances, incremental change may be highly consequential – we call that the ‘stalactite’ model of change (for more see Djelic and Quack in the conclusion to this volume). This type of change may lead in time and progressively to a profound and qualitative transformation of the core institutional order or at least of some of its key dimensions. Our ‘stalactite’ model of change is one where change is seen as both incremental and consequential – where change is in fact the aggregation and crystallization through time of a multiplicity of smaller processes of transformation. We posi-



tion this ‘stalactite’ model of change as complementing rather than displacing other perspectives.

### *Loci and Triggers of Institutional Change*

According to Tolbert and Zucker (1996) the emergence of institutions is a process in three stages. First, actors develop through recurrent and regular interactions patterned reactions to problems to which shared meanings and understandings become attached (see also Berger and Luckmann 1967). This is in fact a pre-institutionalization stage.

Then these particular meanings and understandings become generalized beyond the specific context in which they crystallized. This second stage can be called the objectification stage and goes together with the stabilization of a consensus among social actors about the value of the behavioural patterns and of their associated meanings and understandings. This consensus can translate into preliminary structures and rules that on the whole remain fragile at this semi-institutionalized stage and can still be revised or challenged.

The third and last stage of institutionalization is what Tolbert and Zucker (1996) call ‘sedimentation’. It is characterized both by an even wider spread of patterned behaviours and meanings and by the solidification and perpetuation of structures. It is during this last stage that institutions can potentially acquire the ‘quality of exteriority’, that is, become taken for granted and develop a reality of their own.

The logical sequencing goes from habitualization to sedimentation. However, it is possible in a number of situations to skip the first stage – the habitualization stage. The diffusion of institutional rules preexisting in a different context represents such a short cut with a direct move into the objectification stage (Tolbert and Zucker 1996). Following DiMaggio and Powell (1983), there are three main channels for such a process of diffusion – the coercive, the mimetic and the normative. All three types of channels may be operative simultaneously thus reinforcing each other. They may also alternate or follow each other – the coercive channel being supported over time or even replaced by mimetic and normative ones (Djelic 1998).

Moving from institutions to institutionalization and thinking about the latter as a set of sequential stages – habitualization, objectification and sedimentation – suggests that the level of embeddedness and robustness of institutional rules will vary. Certain patterns of social behaviour – those that are semi-institutionalized or still at stage one or two – will be more likely to become subject to critical evaluation, modification and elimination than others – those that are

fully institutionalized. Or as Jepperson (1991) puts it, degrees of institutionalization are best conceived in terms of relative vulnerability to social intervention.

Within a given society, varying patterns of behaviours will coexist that situate themselves at different stages of institutionalization. Instead of considering the systemic nature of institutional arrangements, we should take in this internal diversity and differentiation and the contradictions that it may generate (Sewell 1992; Clemens and Cook 1999). We should also look at border points or points of interface through which, we have suggested, alternatives may appear. In this volume, we focus in particular on those points of interface that put in contact the national and the transnational. Together, those are the cracks in the system – or at its boundaries – that are likely to make it more vulnerable. Those cracks or weaker points indicate the more obvious potential loci for change. We argue that external pressures can act as triggers. Major shifts in the environment, such as long-lasting alterations in markets or radical changes in technology may play a role. Internationalization, we add, is also in itself source of pressure (see also Westney 1987; Campbell 1993; Djelic 1998; Boyer et al. 1998; Lane 2001). Our claim in this volume is that we should combine a focus on internal loci of disruptions and opportunities with an argument on external triggers of change. We point to institutional change as emerging where and when internal challenges and spaces of opportunity combine with and are being reinforced by external triggers and alternatives. Globalization is in part about the multiplication of configurations of that type.

### *Agents of Change: Foreign versus Domestic, Dominant versus Fringe Players*

The understanding of institutions presented here as not only constraining but also enabling points to the role and significance of actors, sometimes characterized by the labels ‘strategizing actors’ or ‘institutional entrepreneurs’. Institutional change comes about when certain groups or networks of actors develop new patterns of interaction, from scratch or through bricolage, when certain groups or networks seize upon patterns existing elsewhere and promote them as superior to existing arrangements, working to mobilize as large and significant a support as possible for that project.

The challenge to institutionalized rule systems can best be understood, we argue, when we have a clear picture of the impact different actors can have. From the perspective we develop here that the national/transnational interface is important to understand changes in national rules of the game, we differentiate between dominant and fringe actors but also between foreign and domestic

actors. The following categorization, summarized in Table 2, is schematic and should be taken as identifying ideal types rather than as real life description.

*Table 2: Actors of Change – Foreign or Domestic, Dominant or Fringe*

	Domestic	Foreign
Dominant	Resistant/Driving Force	Missionaries
Fringe	Activists/Agitators	Absent

Dominant actors are those who hold a central position in terms of power and social status, based on privileged access to resources. Dominant foreign players will have the strength and resources to push along their own rules of the game well beyond their traditional boundaries of activity. They can become ‘missionaries’ of institutional change. Dominant local players will tend to do one of two things – either to resist change or else be its driving force.

In periods of relative stability, they will tend to resist institutional change. Dominant local players are likely then to have vested interests in existing institutions. Their perception of the world also has a tendency to remain structured by just these institutions. In periods of crisis, radical rupture or acute challenge, dominant local actors can turn however into active promoters of institutional change and in fact become its main driving force. The case of Nokia in Finland perfectly illustrates that (Tainio et al. in this volume). Other examples can be found in the Eastern part of the European continent.

One should add here the particular case of the transnational firm where a dominant actor is neither fully domestic nor entirely foreign but somewhere in between. There will be a tendency for these types of actors to be unsatisfied with the preexisting institutional conditions characteristic of their country of origin. These actors will then possibly turn into active promoters of institutional change – the case of Nokia once again illustrates that but one thinks also of Vivendi in France or Daimler Benz in Germany. Another possible reaction will be for those hybrid, a-national actors to flee their country of origin and set up their headquarters elsewhere – Swedish multinationals have tended to follow that path.

On the other side, one finds fringe players. Fringe players are located at the periphery of a particular institutionalized area. They tend to have little power, low social status and limited access to resources. Fringe players from foreign contexts will tend on the whole to be absent from the local scene. For the most part, local fringe players will also be relatively powerless and passive. The few that may take the initiative, however, may be quite innovative. In relatively stable periods, local fringe players can have more incentives than dominant

players to experiment with new solutions since such experiments are less costly to them in terms of reputation. They are also less likely to be sanctioned by central players for violating rule systems, and if successful they will gain increased power and social status from institutional change. Fringe players have been identified as critical actors for developing alternative practices at the micro level which were in contradiction with existing institutions at the macro level. Leblebici et al. (1991) show how fringe players changed the governance structure of an inter-organizational field such as the US broadcasting industry (see also Jones 2002). Stearns and Allan (1996) refer to fringe players as successful challengers of existing practices in inter-firm coordination in the US whose innovation then became legitimized and institutionalized, through adoption and adaptation by dominant players, as a market for mergers and acquisitions.

Fringe players can challenge existing arrangements either at the level of discourse or at the level of practice – a combination of both being in fact quite likely. This challenge could remain localized and lead nowhere. In certain circumstances, it could also come to arouse wide support and it could possibly become appropriated, adopted and adapted, by dominant players. The new solution will thus be advocated as superior until it becomes taken for granted. Institutional innovation through fringe actors is therefore more likely to take the bottom-up road and to operate through mimetic and normative pressures since these actors usually do not have the means to institutionalize their solutions through coercion and sanction from above.

In the context of globalization, we see another path as being particularly operational. This is the direct or indirect alliance between foreign dominant actors pushing their own rules of the game and a few local fringe players that find an interest in sponsoring those alternative rules (all contributions in Part I, see also Djelic 1998; Djelic and Ainamo 1999). This kind of alliance appears to take the champions and partisans of status quo and stability through a pincer movement.

## Institution Building in the Transnational Space

A central claim of this volume, we have seen, is that the transnational level is one important purveyor in today's world of alternative rule systems that may contribute to the transformation of subsocietal or societal institutional arrangements. Those alternatives may themselves be rules that are dominant in foreign subsocietal or societal institutional spheres. They may also be, and this is we believe another major claim of this volume, rule systems in the making with a transnational scope or dimension. This process of structuration of a space traditionally conceived as anomic translates into institution building and institutional

emergence at the transnational level. It is a marker and defining characteristic, we propose, of the recent episode of globalization.

### *Institutional Emergence – the Transnational Dimension*

Even though there may have been cases, historically, when actors created social institutions from scratch and in a ‘vacuum’, the genesis of institutions in contemporary societies unfolds in general in a form that is closer to ‘bricolage’ than to ex nihilo generation (Offe 1995; Hall and Taylor 1996; March and Olsen 1998). Actors build upon, work around, combine, reinvent and reinterpret logics and institutional arrangements that either function elsewhere or with which they are familiar. This goes, we propose here, for institution building in the transnational space.

Within the context of nation-states, the creation of new institutions is likely to be influenced by the existing institutional environment. Interests and identities of social actors that engage in institution building, coalitions and conflicts between groups with similar and competing interests as well as the cognitive templates that actors use are shaped by the preexisting sets of institutional arrangements in which those groups of actors inscribe themselves. The state, in the form of political actors or agencies, does play a particularly significant role in that process of institution building at the societal level (Clemens and Cook 1999) but this should not blind us to the impact and significance of other actors.

A lot of these features translate, we argue, at the transnational level. Institution building in the transnational sphere brings in a multiplicity of actors or groups of actors. The interests and identities of those actors, their characteristic patterns for entering conflicts and coalitions as well as the cognitive templates that define them, reflect to a great extent the preexisting institutional arrangements in which they set themselves. Very often, those have a societal or national character (Morgan 2001a, b). Hence a number of national actors extend their national contextual rationalities into the international sphere and through their repeated interactions they become involved in institution building in a newly emerging transnational sphere (see for examples McNichol and Bensedrine or Ventresca et al. in this volume). Or they may become involved in reforming, renegotiating and changing existing international institutional arrangements as motivations, power relations and conditions change over time (see Lilja and Moen or Lehmkuhl in this volume).

Through time, repeated interactions and the building up of a transnational frame, actors are emerging that have transnational – in the sense of not purely national – identity and sense of selves. Hence the interplay between well known

national structures and logics and more emergent transnational patterns and rationalities is a key direction for institutional analysis. This is a path on which we engage in this volume.

### *The Missing Links – Institutionalization as a Process in the Transnational Space*

We have proposed above to talk about institutionalization as a process rather than about institutions. And building upon the work of Tolbert and Zucker (1996) we have differentiated between three moments – that fit in fact on a continuum and are not discrete or separate stages. This differentiation between moments of habitualization, objectification and sedimentation is particularly valuable, we believe, for looking at institution building in the transnational space. And a focus on institutionalization as a process rather than on institutional systems also makes particular sense when looking at the transnational space.

Such a perspective makes it possible to overcome the limits and shortcomings that are characteristic of existing debates. A first and quite significant advantage is that this perspective makes it possible to navigate between the Charybdis of under-determination and the Scylla of over-determination. The literature on and around the transnational arena has tended to cluster at two extremes.

On the one hand, the mainstream of the International Relations (IR) tradition pictures the transnational space as essentially anomic – a shapeless and structureless arena. Agents are essentially free and rational, maximizing their own interests with little burden being put on them by the space in which their action takes place. Krasner (1999, p. 72), for example, in his recent book on sovereignty still questions the impact of institutions in the international sphere and argues that in this sphere a logic of consequence usually will prevail over a logic of appropriateness (see also Gilpin 2000). Other writers, such as Ruggie (1993, 1998), have given more weight to international organizations and drawn a more complex picture of the interdependencies between domestic and international power structures. Heterodox writers within the IR tradition go even further by directing attention to the structuration of social networks across borders. Neo-Gramscian scholars, in particular, focus on processes of transnational class formation and the emergence of ‘historical blocks’ of public and private authorities (Cox 1983, 1987). Transnational social networks are regarded as central mechanisms through which ideologies and worldviews – and hence structures and institutions – enter in conflict and contradiction and hegemonies come and go (van der Pijl 1984, 1998).

On the other hand, cultural neoinstitutionalism – the one strand of institutional theory taking the transnational space seriously – has underscored the thickness and highly determining nature of the transnational institutional system. The transnational space is made up of a dense web of cultural rules and patterns, symbolic constraints that shape and determine organizations and structures but also social action and actors themselves. ‘What actors do’, in the words of key proponents of this theoretical perspective, ‘is inherent in the social definition of the actor himself. The particular types of actors perceived by self and others and the specific forms their activity takes reflect institutionalized rules of great generality and scope’ (Meyer et al. 1994, p.18).

This volume will point to a path somewhere in between – where the web of institutional constraints is multilayered and in the making, malleable and changing. Actors are neither free, independent or discrete, nor fully and only rational in the classical sense. The idea of social networks is useful but what emerges once again is the multiplicity and multidirectionality of those networks as well as their undeniable embeddedness in multiple and more or less overlapping institutional frames.

Our perspective in this volume and our take in particular on institutionalization allows us to avoid another simplistic and extreme alternative. This alternative has to do with the type of ‘rationality’ that can be found within the transnational space. The clear opposition here is between the idea of a universal or global rationality – neutral and theoretical that would point in fact to something like the ‘end of history’ or to the ‘best of all possible worlds’ – and the conviction on the other hand that rationalities are plural and that when they express themselves in the transnational space they tend to reflect in fact national embedding institutional systems. National systems do emerge as important in shaping actors and organizations’ rationalities, however we do not rule out the possibility for the emergence of transnational bases of rationalities, in the process of transnational institution building.

A number of heterodox writers situated between the two extremes of traditional International Relations and cultural neoinstitutionalism have identified elements of such processes of transnational institution building which can be integrated in our research agenda. What these authors find is an increasing blurring of border lines between political and private authority in the transnational sphere and increasingly overlapping ‘spheres of authority’ (Rosenau 1997) and ‘webs of influence’ (Braithwaite and Drahos 2000). These emerging transnational arenas of institution building are populated by increasingly multiple and heterogeneous groups of agents, ranging from multinational companies and other private corporate actors (Stopford and Strange 1991; Strange 1996; Cutler et al. 1999) over representatives of social movements (Held et al. 1999; Boli and

Thomas 1999; O'Brien et al. 2000) to the national political actors which prevail in traditional IR theory (for a critical review of the role of the latter actors in the project of building a European Union see Sandholtz and Stone Sweet 1998).

Finally, the perspective we propose makes it possible to avoid falling in the evolutionary trap. Institution building is not a simple and linear process. And this may be particularly true in the transnational space. The continuum of the three moments – habitualization, objectification and sedimentation – is analytically useful but only if it is not used and understood at face value. The fact that we can differentiate between those three moments does not (indeed, far from it) say that those three moments necessarily follow each other in a linear and systematic manner in real life. Nor does it say that there is an evolutionary and unavoidable path going from pre-institutionalization or habitualization to the full stabilization of institutional rules of the game. On the contrary, those three categories can allow us to think of circular paths, ruptures and discontinuities. Institution building in the transnational space proceeds at varied pace according to the 'layer' that we look at. Such institution building remains highly fragile, particularly during the first two moments, which makes ruptures, discontinuities or even backlashes highly possible. The kaleidoscope or multilayered nature of the institution building process in the transnational space also makes it possible and even likely that there will be shortcuts. Rather than starting from scratch and the progressive aggregation of and negotiation between behaviours, institution building in a particular layer can get inspiration from rules of the game and institutional patterns already stabilized in a neighbouring layer.

## Trickle-up and Trickle-down Trajectories – Bridging Levels of Analysis

We have argued above that processes of de-institutionalization and re-institutionalization are particularly likely to emerge at the interface of national and transnational rule systems. We have made suggestions of how we could use this interface as a starting point for our exploration into globalization as a process of institutional building and institutional change, particularly looking at the confrontation between different national actors and between foreign and domestic, dominant and fringe players. But under which conditions do changes in actors' rule systems at the micro or subsocietal level become relevant for other areas and for higher order rules at the societal or even transnational level? And in which circumstances do changes in macro level rules – at the transnational or national level - diffuse to the micro level and become relevant for the behaviour of individual economic actors?



Some of the debates and disagreements around the likelihood and degree of institutional emergence and change in relation to globalization can be explained by the fact that scholars place themselves at different levels of analysis without attempting to create a link. Whereas many studies of institutional change and institutional evolution are situated either at the organizational field level or at the transnational level, work that highlights stability and durability of institutions is predominantly focused on the nation-state level (Knill and Lenschow 2000). In order to reconcile change with stability, we need a better understanding of how those different levels of institutionalization are linked together. We need to investigate the processes through which institutional change in particular sub-societal systems contributes to the transformation of higher level institutional orders – both at the national and transnational level - and vice versa.

With regard to institutional change within national societal spaces, two types of processes are important here. First, transnational institution building can effect upon national institutional systems directly, in a top-down way, leading dominant actors to redefine national regulations or other forms of institutionalized patterns of economic organization. The passing of a new European legislation relating to transport, for example, forced national governments, business corporations and trade associations within the different European member states to redefine their national rule systems and patterns of cooperation (see Plehwe with Vescovi in this volume). Secondly, transnational institution building can have also an indirect impact on national institutional systems if actors at the sub-societal level start to introduce new and challenging rules of the game. Cumulative changes of that type eventually lead to ambiguities and uncertainties that initiate bottom-up processes of change resulting in redefinitions of higher level rules and principles. Examples are initially ‘minor’ changes in the rules governing the French asset management industry (Kleiner in this volume) or in foreign investment in Finnish corporations (Tainio et al. in this volume) which in fact and together with other minor changes became a source of pressure on the wider national systems of corporate governance and elite production and reproduction.

These two forms of institutional change are what we will refer to as trickle-down and trickle-up trajectories in the conclusion to this volume. Building on the empirical contributions that make up this volume, we will propose in this last chapter a more analytic and systematic description of those mechanisms linking changes in the international business environment to different forms of institutional change in national societal spaces. The focus here will be clearly on transnational institution building as trigger for national institutional change.

In turn, when analysing institution building in the transnational sphere, the national origins and components of this process should not be lost from sight. From this perspective, transnational institution building can be analysed as pro-

cesses of reinterpretation, recombination and bricolage of institutional fragments from different contextual origins. We suggest that there are basically three different modes in which the rubbing, contestation and combination of different institutional fragments can take place at the transnational level.

In the dominant mode, the building of institutions at the transnational level simply reflects one dominant local or national model. This is illustrated by the diffusion of American economic rules such as the logic of 'shareholder value' through international financial market actors to other countries (see Tainio et al., Kleiner and McKenna et al. in this volume).

A second mode of transnational institution building is negotiation. In this case, institution building in the transnational sphere comes about as the result of confrontation, debate and bargaining between actors coming from different national rule systems. Examples are the negotiation of unified legal frameworks for specific sectors of economic activity within the European Union (see Plehwe with Vescovi and Midttun et al. in this volume) or the bargaining between the USA and the European Union leading to a multilateral agreement on labelling of genetically modified soy (see McNichol and Bensedrine in this volume).

A third form of transnational institution building is the emergent mode. It tends to involve actors with less clear, and often more transnational identities. It tends to take place at the borders of multiple rule systems and to be of a high complexity which makes outcomes rather unpredictable. These three modes will be, based on the empirical chapters of this volume, described in a more systematic manner in the conclusion.

Overall, we suggest that in order to understand the complexities involved in the link between globalization and institutions we should investigate more closely the interplay between transnational institution building and changes in national institutional systems. The interactions between these two types of processes over time can create a reinforcing cycle of institutional change and transnational institution building. With such an understanding of globalization, a lot of work still remains to be done. The contributions in this book represent attempts to study globalization from the conceptual viewpoint outlined above. They attempt to capture parts of the overall interplay between globalization as institutional change at the national level and globalization as institution building in the transnational sphere. They do this by focusing on specific sectors, countries, points and periods in time. Whereas contributions in Part I analyse how globalization has become a trigger for institutional change within the national space, contributions in Part II analyse processes of insitutionalization in the transnational sphere. Taken together, the contributions to this volume provide rich evidence for the repeated, and often mutually reinforcing, interactions

between institutional change at the national and institution building at the transnational level.

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