

*Studies in the Political Economy of Public Policy*



# Institutional Entrepreneurship and Policy Change

Theoretical and Empirical Explorations

Edited by  
Caner Bakir and Darryl S.L. Jarvis



# Studies in the Political Economy of Public Policy

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Caner Bakir • Darryl S.L. Jarvis  
Editors

# Institutional Entrepreneurship and Policy Change

Theoretical and Empirical Explorations

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*For Nuran and Kaan*  
CB  
*For Hamish and Oliver*  
DSLJ

## PREFACE

Scholarship into institutions has grown enormously over the last four decades. Political science, sociology, economics, anthropology and history, among others, have each witnessed an ‘institutional turn’, in the process producing a legion of new institutionalisms and voluminous literatures. In policy science the institutional turn has been particularly pronounced, with scholars exploring the complex relationships between institutional environments and policy actors, the role of institutions in shaping policy choices, agential preferences and problem framing, and the consequent impact on policy design, modes of implementation and policy outcomes. Extensive theoretical work has also emerged, addressing broader questions about structure and agency, how institutions constrain policy choices but also how they enable choice in terms of the institutional frames that generate interpretative frameworks, shared understanding, and thus the resources for coordination and policy responses.

Perhaps not surprisingly, recent policy scholarship on institutions has focused increasingly on issues of institutional change. How, why and through what processes policy entrepreneurs are able to generate institutional change, what strategies and resources they marshal to facilitate change, and how change is realised in institutional environments that often resist or steer change in specific directions, have become core concerns of much policy scholarship.

This volume continues this tradition of inquiry, bringing together a collection of scholars who, while empirically diverse in the cases and contexts they analyse, are united by a common desire to understand the role of entrepreneurship, policy actors and agential authority in institutional

change. Drawing on a shared set of debates and literatures, this volume seeks to contribute to the ongoing effort to more adequately explain some of the enduring theoretical and practical puzzles in policy science: how policy actors precipitate change, how institutional obstacles are moderated, and under what institutional contexts change occurs.

Glasgow  
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Caner Bakir  
Darryl S.L. Jarvis



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# Institutional and Policy Change: Meta-theory and Method

*Caner Bakir and D. S. L. Jarvis*

## I INTRODUCTION

This volume emerged from a general call for papers for a panel on institutional entrepreneurship and institutional change at the International Conference on Public Policy (ICPP) held in Milan, Italy, in the summer of 2015. We were overwhelmed by submissions to the panel and a level of interest in the topic which far exceeded our expectations. In retrospect, we should not have been surprised. Issues of institutional change continue to be of central concern to political scientists, economists, sociologists, and policy scholars alike—indeed, why and how institutions emerge, change, or are transcended over time is a core theoretical question at the centre of most social science inquiry. As North famously noted:

History matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity

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of society's institutions. Today's and tomorrow's choices are shaped by the past. And the past can only be made intelligible as a story of institutional evolution. (North, 1990, p. vii)

For North, the focus on institutions was driven by an intellectual interest to understand how social agents create entities that facilitate cooperation, especially around complex phenomena such as exchange relations where interests do not always coincide. It was North's contention that at the very core of successful societies, which North defined in relation to sustained economic growth and deepening economic and technological complexity, lay the role of institutions—or, more specifically, 'institutional frameworks'. But, as North also observed, not all institutional frameworks are created equal; 'not all human cooperation is socially productive' (North, 1990, p. vii). North's self-professed task was thus to correct the oversight of his own profession, integrating into economic theory a theory of institutional change by 'explaining the evolution of institutional frameworks that induce economic stagnation and decline' and those that induce success (North, 1990, p. vii).

North, of course, has not been alone in this project. The rise of institutional analysis and renewed interest in institutions has been intimately associated with structural changes in the institutional fabric of modern industrial societies, particularly in the last few decades of the twentieth century. The decline of Keynesianism and with it transformations in the socio-political and economic institutions which guided management of the economy, labour relations, welfare, tax and redistributive measures, social policy and the provision of health, education and public housing, has generated extensive debates about the extent of these changes and their causes (Campbell & Pedersen, 2001). Ideational changes associated with the rise of market-oriented policy preferences, and of political movements seeking to reframe the relationship between the state and market, and between the state, market and citizen, also coincided with the rise of institutional analysis—especially the rise of rational choice institutional paradigms which see institutions (or what the World Bank terms 'enabling environments') as central determinants of economic and political performance (Campbell & Pedersen, 2001, p. 1; Carroll & Jarvis, 2015, 2017; North, 1981, 1990, 2005).

The coextensive nature of these developments has fostered a burgeoning industry of institutional paradigms (Campbell & Pedersen, 2001, p. 5). Rational choice institutionalism (North, 1990; Ostrom, 1993),

while perhaps the most influential, has also been joined by historical institutionalism (Clemens & Cook, 1999; Hall, 2010; Immergut, 2006; Pierre, Peters, & Stoker, 2008; Steinmo, 2008; Thelen, 1999), sociological institutionalism (or what some term organisational institutionalism) (Campbell, 1998, 2008; DiMaggio & Powell, 1983; Hall & Taylor, 1996; March & Olsen, 1989; Scott & Myer, 1994) and post-modern or discursive institutionalism (Bourdieu, 1998; Foucault, 1969, 2007; Jameson, 1997; Schmidt, 2008). Despite substantive variation in approach and epistemology, the new institutionalisms all grapple with the enduring issue of institutional construction, instantiation (or how institutions become embedded), and institutional change—in particular, the role of agency in mediating and intercepting power and influence (conceived both in the visceral sense of capturing institutions and steering them but also in the ideational sense of emerging knowledge systems and of the role of ideas in shaping and determining social, political and economic orders).

This volume continues this tradition of intellectual inquiry, attempting to grapple both theoretically and empirically with questions of institutional isomorphism. The vantage points of its contributions are variously informed by the ‘great debates’ of institutional theory. These have typically wrestled with ontological issues about structure and agency, in part to understand the nature of institutional stasis but most obviously as a means to explain change—gradual, evolutionary change and particularly dramatic or revolutionary transformation. Earlier historical institutionalists such as Theda Skocpol (1979), for example, famously analysed the structure and composition of pre-revolutionary state institutions to explain revolutionary outcomes. State capture and the dominance of the state over populations could induce long periods of stability while also laying the foundation for social revolution and the birthing of new institutional orders. Similarly, Chalmers Johnson’s analysis of the rise of ‘revolutionary nationalism’ and the ‘exigencies and requirements of national survival and mobilization’ were used to explain institutional outcomes in Japan and China in the post-war era (Johnson, 1966, 1982; Steinmo, 2008; Woo-Cumings, 1999, p. 2). Both Skocpol and Johnson viewed the state and state institutions as central to the stabilization of social, political and economic orders, while also seeing the state as the primary source of social fissure because of non-adaptability or non-responsiveness to changing contexts. For historical institutionalists, in other words, the span of history was understood as wave like; long periods of stasis interjected by sudden periods of crisis—or,

as Blyth notes, they posit a model as thus: ‘institutional equilibrium → punctuation → new institutional equilibrium’ (Blyth, 2002, p. 7).

Such a model, of course, posits two contradictory axioms: institutions constrain, order, moderate, and pattern agential behaviours, in large measure constricting the possibility of institutional change, while, at the same time, agents and agency are by definition the drivers of history, manufacturing institutional change and new institutional orders. Rational choice institutionalists too explain the tendency to stasis and equilibrium using similar theoretical fiats. Long periods of institutional stasis reflect institutional maturation, in which formal and informal rules act as mechanisms that sanction certain behaviours and induce agential compliance. As long as the functional predominance of institutions in transmitting rules and norms is sustained, the tendency toward change is constrained. Change, in this sense, is either an outgrowth of the breakdown of institutional sanctions and signalling mechanisms causing agential compliance to be fractured, or a reflection of poor institutional design in which the wrong signals (perverse incentives) are transmitted, producing disequilibria and causing agential authority to reconfigure new institutional arrangements.

Institutionalists of various persuasions have thus assumed a *hierarchical ontology* between institutions and actors. While change, evolutionary or revolutionary, is uniformly viewed as a filament of social action, institutions are typically viewed as minding the store, as it were, tending to constrain actors and stabilize patterns of behaviour which, in turn, reproduce institutional orders. For institutionalists, such ontological relationships help explain the tendency toward equilibria; long periods of continuity, the infrequency of revolutionary change and the predominance of evolutionary or gradual institutional change through ideational adaptation and incremental rule and norm modification. Equally, for social theorists, the predominance of structure—defined in terms of institutional setting or context—has similarly been understood as the substantive force shaping the choices of agents which in turn shapes the universe of potential outcomes or the pathways via which change occurs (Campbell, 2004, 2010; Giddens, 1979, 1993; Heugens & Lander, 2009). Agency, by contrast, has typically been understood as a second-order variable and subservient to the overarching role of socio-economic structure and history.

This tendency toward a hierarchical ontology in theory construction, most often encapsulated in anthropology, sociology, philosophy, economics, political science and history with the rise of *structuralism*, has had far-reaching implications for how research into policy entrepreneurship

and institutional change has proceeded. As Bakir notes, this has essentially funnelled research into two broad questions: (1) *how* and *why* institutional contexts inform and frame agential actions?; and (2) how do policy entrepreneurs initiate institutional change if their decisions and actions are conditioned by the very institution they wish to change? (Bakir, 2013; Bathelt & Glückler, 2014, p. 353; see also DiMaggio & Powell, 1983; Morgan, Campbell, Crouch, Pedersen, & Whitley, 2010, pp. 4–5; Peters, 2001, p. 71).

In social theory, of course, structuration theory was meant to overcome this ontological dilemma. Giddens' 'duality of structure', for example, attempted to replace ontological hierarchies with a reflexive situationalism, in which the 'recursive' or reflexive 'character of social life' was constituted by the interactions of agents with structures that reproduced social orders while also modifying them. As Giddens notes, structuration theory understands that 'even action which disrupts the social order, breaking conventions or challenging established hierarchies, is mediated by structural features which are reconstituted by the action, albeit in a modified form' (Giddens as quoted in Thompson, 1989, p. 58; Giddens, 1984). History and historical change, in other words, were to be explained through recursive interactions; 'social structures are both constituted *by* human agency, and yet at the same time they are the very *medium* of this constitution' (our emphasis) (Giddens, 1993, p. 121).

Rational choice institutionalism has similarly dealt with the problem of hierarchical ontologies. As Campbell observes, one of the main contributions of political scientists and sociologists to rational choice perspectives has been to develop a 'choice-within-constraints approach' in which agential authority is seen to be limited by the coextensive institutional frameworks in which agents operate (Campbell, 2004, p. 15; Peters, 2001, p. 67; Roberts & Greenwood, 1997). Much like structuration theory, rational choice institutionalists have sought to level the ontological playing field by conceiving of agents and institutions as processes of mutuality, codependent but differentiated by the quality of institutional endowments (capacities) across institutional contexts—which provides either more or less space for agential interventions and thus greater or lesser latitude for institutional change. Institutional constraints, in other words, are context specific and change through time, either through the erosion of institutional quality or the failure of institutions to adapt to changing exogenous forces which, in turn, explain the preponderance of institutional stasis and incremental change and the infrequency of sudden revolutionary transformation.

## 2 POLICY SCIENCE AND THE PROBLEM OF INSTITUTIONAL CHANGE

Despite these theoretical advances the sense in which they can be simply imported, adapted, deployed and operationalised as research frameworks in order to understand policy change and institutional isomorphism remains problematic. Five interrelated issues are apparent.

The first arises from what we might term the vantage point of observation or temporality. Social theorists, for example, enjoy the benefit of hindsight when examining the sweep of history. Hindsight provides a vast laboratory for investigation, observation and theorization, allowing the historian to examine known outcomes and draw connections between events, time and place, identifying causalities of change and how these manifest in terms of new or evolving institutional orders. Hindsight, in other words, provides the historian with a *fungible temporality* which, as North noted, demonstrates how ‘today’s and tomorrow’s choices are shaped by the past’ (North, 1990, p. vii).

Absent a fungible temporality, however, how do social scientists operationalise structuration theory as a means of explaining institutional change, particularly change which is contemporaneous? How do we identify ‘choice-within-constraints’ when the choices may not be readily apparent or the constraints obvious? For policy scholars, for example, the vantage point of hindsight is not always available, ‘recursive interactions’ are often hidden behind institutional facades and the professional practitioners who populate them, while knowledge about change is typically empirically fuzzy, contradictory, or contested. More obviously, how do policy scholars assess which change is important, what impact it will have on institutional orders or practices, whose interests it may serve and how, and whether what they observe is incremental, episodic or potentially revolutionary change? Much policy science, for example, is projection: scholarship designed to intercept emerging problems, change trends with potentiality deleterious implications, or avoid outcomes that may generate negative social and economic consequences (global climate change, the impact of ageing demographics, deterring low rates of savings to ensure sufficient income in incidences of increasing longevity, etc.). Policy science invariably sits at the intersection of contemporaneous intellectual inquiry and is designed to project into the future to change outcomes that have yet to transpire. Rather than a fungible temporality which allows assessments of institutional change to be triangulated through time and interrogated in terms of sig-



nificance, direction, impact and outcome, policy scholars are often required to address change in contexts of indeterminate temporalities and make assessments about change in present and future contexts.

Second, while a core analytical variable, the concept of *change* remains both under-theorised and analytically diffuse. Historically, for example, first-wave institutionalism concerned itself predominantly with patterns of stasis or institutional stickiness, focusing on the role of authority, power and legitimacy, along with the high transaction costs (and risks) associated with institutional isomorphism, in order to explain the reproduction of institutional orders through path dependencies (Bush, 1987; Koning, 2015, p. 641). In part, this reflected the way first-wave institutionalism defined institutions; as a ‘stable, recurring pattern of behaviour’ (Goodin, 1996, p. 22). Change, in other words, was antithetical to the core idea of institutions as technologies of social, economic and political reproduction. Krasner, for example, encapsulated this dialectic noting ‘a basic analytic distinction [...] between periods of institutional creation and periods of institutional stasis’, where change was important but only in the context of the birthing or ending of institutional orders—the bookends of epochs. Gradual or incremental change was, in essence, squeezed out of analytical view, with change understood episodically and often the result of systemic crisis (Krasner as quoted in Koning, 2015, p. 643; Krasner, 1984, p. 240).

This intellectual legacy continues to impact how issues of institutional isomorphism and isomorphic processes are framed theoretically. Much contemporary institutional scholarship, for example, is unable to differentiate between *patterns* or types of change and thus ‘the degree to which a given episode of change is actually evolutionary, revolutionary or something else’ (Campbell, 2004, p. 5). Capano reinforces this point, noting while there is a ‘plentiful selection of studies from various academic fields examining the question of whether the processes of change should be considered evolutionary or revolutionary, reversible or irreversible, linear or non-linear, contingent or partially determined’, the ‘*explanandum* (change) is too frequently defined in an ambiguous manner’, its complexity set aside or treated as a mechanical variable (e.g.,  $t^1$  to  $t^2$ ) (Capano, 2009, p. 8). A continuing theoretical dilemma for institutional scholars, in other words, is the conceptual indeterminacy of one of its core analytical categories: *change*.

Third, this intellectual legacy also has implications for where scholars situate the *locus* of causality that produces change. When institutions are conceived as patterns of recurrent behaviour that propagate stability or

stasis through combinations of cascading norms, rules, authority structures (legal and juridical systems), power relationships and traditions, for example, the locus of change is typically identified as *exogenous* to institutional orders rather than propagated through *endogenous* institutional processes. Change is viewed as institutionally alien and most often conceptualised in relation to large-scale structural transformations or the sudden, episodic rupture of institutional stability brought about, for example, by war, financial crises, sudden environmental change, or other large-scale disruptive exogenous events and processes. Much historical institutionalism has thus posited change as an episodic consequence of institutional non-adaptability, or a consequence of insufficient institutional capacity to manage various large-scale exogenous processes. Issues of endogeneity, by contrast, while not dismissed entirely from analytical view, have tended to be framed as issues of institutional inertia, where the absence of institutional change, or the right types of institutional adaptability in relation to increasing tensions brought about by emergent exogenous realities, ultimately ruptures institutional orders and produces new institutional configurations. Endogeneity as a core locus of isomorphic processes has thus often been marginalised, or seen as less consequential and thus less professionally rewarding as an object of intellectual inquiry.

Fourth, and relatedly, the tendency of historical and rational choice institutionalists to theorise institutions through functionalist lenses has also tended to marginalise issues of endogeneity as a locus of institutional change. The dominant means of analysing institutional change, for example, has rested on mapping interests with institutional type, functions, and capacities in order to correlate specific institutional endowments (or institutional designs) with their ability to satisfy economic, social and political needs—i.e., the institutional characteristics which manufacture *legitimacy*, where legitimacy is understood as central to the reproduction of institutional orders. For many historical and rational choice institutionalists, in other words, institutions are understood as sets of social and political relations that, above all, contain distributional instruments in relation to power and economic resources (Mahoney & Thelen, 2010a, pp. 8–9). What makes some institutions more effective than others simply reflects the balance of legitimacy in respect of how adroitly power and economic resources are distributed, and how, over time, institutional capacities to manage distributional instruments adapt to changing realities. Rational choice and historical institutionalists thus posit institutional stasis as a function of legitimacy, and thus, in turn, as a reflection of individual interests

being institutionally derived. It reflects what Bathelt and Glückler (2014) term the ‘paradox of embedded action’, whereby the interests of actors is both derived from, and reflected in, the prevailing institutional orthodoxy, rendering change through agential authority irrational. The paradox of embedded action thus made *endogenous* change theoretically nonsensical, substantially blinding first-wave institutionalism to issues of institutional adaptation, institutional learning and other *endogenous* isomorphic processes (Blyth, 2002, pp. 19–20; Koning, 2015, p. 647).

Fifth, while second-wave institutionalism has attempted to overcome this problem by focusing on *endogenous* sources of change, and by addressing explicitly the paradox of embedded action, it has often attempted to do so by situating interests in more diffuse theoretical containers. Ideational institutionalism, for example, focuses on the receptiveness of institutions to ideational innovation, institutional learning, and the way institutions do or don’t, as the case may be, interact with values, norms and beliefs. It thus posits the central importance of *ideas* in institutional change—if not their role as the constituting basis of institutional orders. As Blyth points out, institutions do in fact change, ‘sometimes without obvious punctuations, and because of this theoretical problem, ideas also become attractive to historical institutionalists as an *endogenous* source of change’ (Blyth, 2002, p. 20). For Blyth, ideas are the *zeitgeist* and intellectual scaffolding that ‘provide agents with an interpretive framework’, a scientific and normative framing of the economy and polity, and a blueprint about how these entities should be constituted and related. Ideas act as normative frames or constructions which facilitate the design of new institutions and the development of plans and politic strategies—ideas, in other words, are an important source of endogenous change:

... such an analysis of institutional change suggests that the reduction of uncertainty, the specification of causes, and the actual supply of new institutions are parts of a temporally distinct sequence of events where ideas have different effects at different junctures.... This is *not* to say that only ideas matter, nor that institutional change is purely an ideational affair; they do not and it is not. (Blyth, 2002, p. 11)

Blyth thus suggests that there exists a certain reciprocity between ideas, institutional learning, processes of policy or ideational diffusion and change—in which ideas form an important, perhaps even dominant, agency in institutional change.

But if we accept the importance of *ideas* as a source of change, as does much contemporary institutional scholarship, then how should *ideas* be understood? How do ideas manifest, propagate, and impact institutions and produce change; indeed, how do they overcome the paradox of embedded action especially if they impact or threaten interests? As an analytical category, *ideas* are conceptually slippery. Do we view ideas as a thought or suggestion, an aim or a purpose, a mental impression, an opinion or belief, a cognitive map, as shared values or concerns, or as strategies to inform actions? How do we differentiate between ideas? Are economic ideas as important as ideas about social values and beliefs in terms of inducing institutional change? And where do ideas sit in terms of their locus; within institutions as statements of purpose, mandate, role, function or aspiration, broadly within the polity as a means of projecting group identity, or diffusely as conceptual boundaries which allow for inter-subjective understanding? More fundamentally, how do we understand the relationship between ideas and interests? Do ideas trump interests, or do ideas reflect the ways and means of projecting interests (Colomy, 1998)?

Equally, why should we assume that ideas are the repository of agency that produces change? Ideas can be constraining and disciplining. Ideas comprise knowledge systems which impose meaning, reproduce social, political and economic institutional orders and often resist change. The canon law of the Catholic church, for example, or the notion of Christendom are ideas that involve the imposition of certain values to the exclusion of others, seeking to embed certain social relations and modes of conduct, and resist ideational deviation other than through acts of proselytising. Similarly, as Campbell notes, paradigms can act as ‘cognitive background assumptions that constrain decision making and institutional change by limiting the range of alternatives that decision-making elites are likely to perceive as useful and worth considering’ (Campbell, 2002, p. 22, 2004, p. 94). There is no reason to assume that ideas are always sources of change. They can also be sources of stasis, a means of constraining change or of disciplining contrarian thinking (Carstensen, 2011).

As an *explanandum*, *ideas* thus remain theoretically obtuse and suffer from indeterminacy and contestation. It is one thing to assert that ideas are important, even powerful, but quite another to trace their origins, to map why some ideas become more powerful than others, and how ideas manifest as a change agent to influence actors, interests, or cause variation, modification, or innovation in institutional orders. No one doubts the

pervasive influence of Keynesianism, liberalism, and neoliberalism, but demonstrating ideational pathways as mechanisms of change and their manifestation in institutional orders is both theoretically complex and vexed. Blyth's statement of the problem perhaps best summarises this theoretical conundrum:

Despite ... historical institutionalist analyses opening up more fully to ideas as independent causal elements, some problems remain. For example, Helleiner's study, explaining why ideas about the role and function of finance changed in the 1930s and 1970s, relies on the ostensible "facts" of economic difficulties promoting new ideas. However, positing that the supply of new ideas is reducible to material changes itself relegates ideas to being autonomic responses to periods of crisis. If this is the case, then the transformative role of ideas is limited at best. Similarly, although McNamara's and other recent historical institutionalist scholarship has been increasingly open to viewing ideas and interests "not as competing causal factors, but as ... inherent[ly] interconnect[ed]," such scholarship has not, as yet, explicitly theorized exactly how this occurs .... [T]he assumptions behind this body of theory—and the lack of explicit theorizing about the relationship between ideas, interests, and institutions—dictate that ideas tend to be seen ... as auxiliary hypotheses employed to account for the anomaly of change within otherwise static theories. (Blyth, 2002, p. 23)

At one and the same time, Blyth's statement is a call for more explicit theorising about the relationship between ideas, interests, and institutions, but also an admission that ideas, values, and beliefs remain problematic as stand-alone theoretical categories—unless, that is, social scientists reconceptualise *ideas* such that they are not seen as simply 'anterior or external to interests' (Blyth, 2002, p. 27).

To a large degree, this has been the most recent project of ideational institutionalists—a third-wave institutionalism. Recent work by scholars such as Mukand and Rodrik (2016), for example, has sought to demonstrate that 'ideas and interests both matter for policy and institutional change, and also feed into each other' (Mukand & Rodrik, 2016, p. 5):

On the one hand economic interests drive the kind of ideas that politicians put forward. As Shepsle (1985) put it, ideas can be regarded as "hooks on which politicians hang their objectives and further their interests." However, ideas also shape interests. In our model, this happens because they alter voter preferences *ex post* and/or shift their worldviews, in both cases shifting rankings over policy. (Mukand & Rodrik, 2016, p. 5; Shepsle, 1985)

For Rodrik, in other words, ‘interests are an idea’ (Rodrik, 2014, p. 206). Interests ‘are not fixed or predetermined. They are themselves shaped by ideas—belief about who we are, what we are trying to archive, and how the world works. Our perceptions of self-interest are always filtered through the lens of ideas’ (Rodrik, 2012). Indeed, for third-wave institutionalists the historical primacy of *interests* in social science is puzzling. For them, the market place of ideas is rarely centred on purely economic interests but filtered through political entrepreneurs developing new ideas, institutions, or policy by appealing to values, identities or other normative reference points which make new ideas or policy compelling and thus change possible. As Mukand and Rodrik (2016, p. 1) note, ideas matter, ‘ideational politics seems at least as important as interest-based politics’—indeed more important especially if we understand interests as a sub-set of preferences defined in relation to ideational values and beliefs (see also Rodrik, 2014). For ideational institutionalists, it is ideas which provide the ‘interpretive frameworks that give definition to our values and preferences and thus make political and economic interests actionable’ (Carstensen & Schmidt, 2016, p. 318). This is why resources are given to think tanks, lobbyists, civil society organisations and religious orders who each attempt to shape opinions, push certain ideas and thus achieve change relative to the values they hold.

For third-wave ideational institutionalists, far from ideas being the jet-sam and flotsam floating above the realpolitik of power and interests, ideas in fact embody and reflect power; they manifest in institutional orders, impacting the organisation of social, political and economic relations. Indeed, for more recent discursive institutionalists, ideas are the constituting basis of power and power projection. As Carstensen and Schmidt observe, ideational power reflects the ‘capacity of actors to persuade other actors to accept and adopt their views on what to think and do’, while the persuasiveness of ideas, the entrepreneurialism of brokers marketing ideas, and the way actors view, interpret and understand ideas, help to explain the complex and reflective processes by which some ideas become accepted and thus powerful, either engendering institutional and policy change or, by their very dominance and power, precipitating stability and long waves of stasis (Carstensen & Schmidt, 2016, p. 323).

While such insights have made valuable contributions to institutionalist literatures, the theorising of ideas and their relationship to interests, and of ideational power and its relationship to institutional change and stasis, remains theoretically vexed. Despite several decades of scholarly effort and

a now voluminous literature, elemental questions about the role of agency, structure, ideas, and interests—and the relationships that obtain in terms of causality and institutional change—remain as conceptually muddled as ever. As Mahoney and Thelen lament, while ‘institutional analysis has earned a prominent place in contemporary social science, the vast literature that has accumulated provides us with precious little guidance in making sense of processes of institutional change’ (Mahoney & Thelen, 2010a, p. 2). Perhaps the only conclusion we might reasonably draw is that ideas, interests, agential authority, structure, and history are *all* important in understanding processes of institutional isomorphism, but in what magnitude, why and how, remains a continuing theoretical conundrum.

### 3 THEORISING CHANGE: FROM EPISTEMOLOGIES TO CONCEPTUAL TOOLS AND METHODS

Despite the salience of institutional theory it is clear that much theoretical work remains to be done in order to translate meta-theoretical fiats into concrete methods and frameworks of analysis. This is especially the case for policy science where issues of policy and institutional change are core objects of scholarly inquiry but where most analyses have been forced to rely on thick description in order to map the interrelationships between institutions, institutional types, policy actors, policy choices/preferences, institutional/policy outcomes and policy and institutional change.

Of course various efforts have been made to lend greater methodological clarity to this enterprise. In the context of policy development, earlier work by Besley and Case (2003), March and Olsen (1989), Hammond and Knott (1999), Persson (2002), Pierre, Peters, and Stoker (2008), and Peters (2012), has helped elucidate how specific institutional contexts frame, structure and enable policy choice. Similarly, work highlighting particular institutional morphologies has helped explain the implications for either constraining or enabling policy action. Complex, contentious, and institutionally thick environments, for example, can often lead to deadlock or elongated policy processes, reducing the scope for policy adoption or adaptation because of numerous competing institutional interests. By contrast, institutional environments which are less dense may provide more discrete pathways for negotiation, streamlining processes of policy adoption and change (Zahariadis, 2016, p. 7).

Equally, policy science has become more sophisticated in mapping institutional types, capacities and functions and correlating these with outcomes and economic performance. Hall's pioneering work comparing British and French institutions, for example, eloquently maps the intersections between history, institutional evolution, institutional type, the adoption of certain economic policies and the performance of economies over time. For Hall, it is institutional *variation* across societies and economies, and in turn the types of choices made within institutional contexts, that is intimately related to social and economic outcomes—not least the ability of economic, social and political systems to adapt, change and respond to new and emerging circumstances (Hall, 1986; Hall & Soskice, 2013, p. 43). Similarly, work by Thelen (Mahoney & Thelen, 2010b; Thelen, 1999, 2004) has also shed light on the importance of 'distinctive institutional arrangements which ... support specific kinds of strategies' and which, in turn, spore successful growth outcomes; specific institutional configurations associated with 'financial institutions, industrial relations institutions, vocational training systems, bank-industry links, and ... welfare state institutions and policies' (Thelen, 2004, p. 2). Importantly, however, as Thelen argues, it is the *politics* of institutional settlement that lies at the core of institutional sustainability—the mechanisms of reproduction that sustain institutions and the 'mechanisms behind their functional and distributional transformation over time'—and not just institutional design characteristics or the architecture of governance organisations (Thelen, 2004, p. 7; Streeck & Thelen, 2005).

Conversely, an important and influential literature famously championed by DiMaggio and Powell (1983) has focused on patterns of institutional convergence or homogeneity, addressing institutional change through coercive, mimetic and normative isomorphic processes—and more generally through competitive isomorphic processes in which adaptation and institutional change reflect processes of systems rationality and fitness for purpose measures (DiMaggio & Powell, 1983, pp. 149–150). A myriad of studies in various functional settings, for example, have highlighted institutional isomorphism producing similar institutional types across an increasing number of nation-states; in particular, the institutional design and governance mechanisms of central banks (increasingly constituted as independent regulatory bodies mandated with responsibility for macro-prudential management at arm's length from government); the organisation of higher education and policy trends associated with massification and convergent policy/institutional practices in response to



global rankings; the global standardisation of national accounting regimes; or the standardisation of institutional/organisational practices associated with regulation, standards, certification codes and traceability regimes (food handling, storage, transportation; toxic waste management; product and manufacturing standards—chemicals, pharmaceuticals, electrical components; nuclear safety; phytosanitary standards; various enforcement regimes associated with human trafficking, drugs, child exploitation and criminality, among others) (Jarvis, 2012, 2017a; Koppell, 2010). Policy and institutional change, in other words, reflect increasingly dominant trends associated with policy learning and policy transfer/diffusion: ‘a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place’ (Dolowitz & Marsh, 1996, p. 344, 2000; Levi-Faur, 2005; Obinger, Schmitt, & Starke, 2013; Shipan & Volden, 2012; Starke, Obinger, & Castles, 2008; Stone, 2001; Strebel & Widmer, 2012).

Indeed, processes of policy diffusion and learning are increasingly seen as a key *explanandum* of institutional change and emergent patterns of cross-national convergence—a process which Elkins and Simmons (2005, p. 37) describe as the result of ‘uncoordinated interdependence’. This arises from the process of policy/practice adoption impacting the choices of other potential adopters: ‘the adoption of a trait or practice in a population alters the probability of adoption for remaining non-adopters’ (Strang as quoted in Elkins & Simmons, 2005, pp. 37–38; Strang, 1991), either through processes of agenda setting, norm diffusion or relational circumstances where a state’s move to adopt a certain policy prompts other states to follow. Policy diffusion and its consequent impact on institutional/policy change is thus understood as both cause and effect: ‘any pattern of successive adoptions of a policy’ but where the process of diffusion changes the probability of certain policies or institutional characteristics being adopted in the future (Strang and Soule as quoted in Elkins & Simmons, 2005, p. 36; Strang & Soule, 1988). Whatever the cause or mechanism of diffusion, the point is that diffusion is characterized as a reflexive process and assumes no destination or end point, prescriptive organisational form or policy design. It is, for the most part, happenstance and results from a series of individual decisions to adopt certain policies and practices for reasons specific to each policy actor but in a universe where the decisions of policy actors impact the subsequent choices and decisions of other policy actors across institutional and geographic space.

A now dominant means of understanding policy and institutional change has thus rested on the emergence of non-functionalist diffusionist perspectives centred on policy learning and emulation, which see institutional change as the result of broader, systemic processes associated with the transnationalisation of policy processes, the growth in international epistemic knowledge communities and the rise of global benchmarking practices and standard-setting institutions (Cao, 2010; Colomy, 1998; Jakobi, 2012; Jarvis, 2017b; Meseguer, 2005; Meseguer & Gilardi, 2009; Obinger et al., 2013; Vormedal, 2012).

### *3.1 Advocacy Coalition, Multiple Streams, Punctuated Equilibrium, and Path Dependency Frameworks*

Several other and equally influential perspectives have also emerged as a means of understanding or mapping the processes and causalities by which policy and institutional change occurs. These include the Advocacy Coalition Framework (ACF) (Sabatier & Jenkins-Smith, 1988, 1993, 1999), the Multiple Streams Approach (MSA) (Cairney & Jones, 2016; Jones et al., 2016; Kingdon, 1984b; Zahariadis, 2007), the Punctuated Equilibrium Framework (PEF) (Baumgartner, Jones, & Mortensen, 2014; Howlett & Cashore, 2009; John, 2003; Jones et al., 2016), and Path Dependency Frameworks (PDF) (David, 2002; Kay, 2005; Mahoney, 2000), among others.

To varying degrees, these approaches have been successful in providing frameworks of analysis that guide research focus in terms of the broad locus of actors, interests, context and institutional setting, and the decision-making and knowledge ambits that permeate event progression leading to institutional and policy change.

The ACF, for example, one of the most influential approaches to understanding policy change since the 1990s, has moved the analytical focus of scholars away from a conventional concern with elite organisational/bureaucratic decision making (i.e., policy making as ‘quietly managed by a small group of insiders’ and contained within discrete institutional settings) to focus instead on policy formulation and change as a process of complex relationships that are often diffuse, multi-level, contested, controversial, and politicised (Cairney, 2015, p. 484; Weible, Sabatier, & McQueen, 2009). Rather than policy change seen as an incremental outcome of deliberative, reflective, informed decision making, the ACF centres on understanding policy making and policy change in conditions of

ambiguity and uncertainty, often in information-poor environments, sometimes where problem definition is partial or contested, and often occurring over elongated periods of time (Weible & Sabatier, 2006). Its primary claim to fame rests in moving scholarly analytical focus away from a *stages heuristic* paradigm in which policy change is understood as a Lasswellian linear event progression (problem identification, agenda setting, policy formulation, policy adoption, implementation, monitoring, and enforcement or policy recalibration), to recognise instead the centrality of multiple cycles of interaction, conflict, feedback, and the discursive nature of these processes in the ‘translation of normative and empirical beliefs of competing advocacy coalitions’ into public policy (Weible & Sabatier, 2006, pp. 131–132). In doing so, the ACF places great analytical weight on the notion of policy participants being defined by ideational values and beliefs (some core values/beliefs, some secondary), where core values are ‘least susceptible to change in light of empirical evidence’ (Cairney, 2015, p. 486). Indeed, for the ACF, beliefs are seen as ‘the “glue” that keeps a large number of actors together’, embracing the notion of ideas as important in and of themselves and not simply reflecting or projecting sets of interests (Cairney, 2015, pp. 485–486). For the ACF, understanding policy and institutional change has thus been situated in more non-sequential, diffuse, and inherently more complex milieus, and much more broadly around coalitions of actors first and foremost motivated by beliefs, ideas and values.

The MSA approach pioneered by Kingdon (1984a) has similarly sought to understand public policy agenda setting and policy outcomes—why certain policies are adopted and why specific avenues of change materialise relative to others (Cairney & Jones, 2016).<sup>1</sup> In what has become one of the most widely influential frameworks of analysis, Kingdon proposed understanding the policy process as a function of three, interrelated but separate conceptual components: problems, policies, and politics. As Kingdon notes, ‘each of these streams has a life of its own, and runs along without a lot of regard to happenings in the other streams’ (Kingdon, 2003, p. 227; see also Béland & Howlett, 2016, p. 222).

The problem stream arises from political actors who demand solutions to perceived problems or issues that are seen as public in nature. Within the problem stream, however, problems and issues are weighted and perceived differently, demarcated by categories that Kingdon identified as *indicators* (the processes by which actors identify, monitor and understand problems), and which typically appear in policy problems due to

*focusing events* (a crisis—such as the 2008 sub-prime crisis; or cascading problems associated with a particular issue area—climate change and environmental degradation, for example), and by *load* and *feedback*, where load is defined as the institutional capacity to manage problems and feedback the suite of ‘information provided by analogous problems related to the problem of interest’ (Jones et al., 2016, p. 15). The policy stream, by contrast, is what Kingdon described as the primeval soup of ideas and possibilities: ‘[w]hile many ideas float around in this policy primeval soup, the ones that last, as in a natural selection system, meet some criteria. Some ideas survive and prosper ...’ (2003, p. 203). Within the policy stream, Kingdon identified several subcomponents which filter policy, including the value and acceptability of policy within existing value constraints, and the technical feasibility and resource adequacy to implement and sustain certain policy choices. Finally, the political stream refers to the broader institutional context that influences and shapes perceptions within the body politic: the national mood, the configuration of advocacy coalitions, the institutional composition of the legislative and executive branches and thus the meta environment which enables and constrains specific policy choices.

For Kingdon, while each of these streams operates in a kind of parallel universe, they periodically intersect. That is, policy change ‘occurs when a “window” of opportunity opens and a policy entrepreneur merges the three streams by applying an idea from the policy stream to an issue in the problem stream at a time when the problem/solution coupling is acceptable within the political stream’ (Nowlin, 2011, pp. 44–45; Zohlnhöfer, Herweg, & Rüb, 2015). This, as Capano observes, is an important insight since it provides the MSA with a ‘non-linear logic of policy development ... and gives importance to the role of chance and individual behaviour in generating change’—i.e., a kind of evolutionary primeval soup, chaotic and complex, with policy entrepreneurs constantly interacting with their environments, responding to the changing dimensions of ‘value acceptability’, ‘technical feasibility’ and recombining ‘familiar elements’ to devise new policy at opportune times (Cairney & Jones, 2016, p. 41; Capano, 2009, p. 19; Sabatier, 1991, p. 151).

Other influential perspectives have also lent interpretive and methodological weight to understanding the morphology of policy and institutional change. The PEF, for example, attempts to integrate explanations of incremental and non-incremental policy change into a single perspective. Imported from palaeontology, the PEF challenges incremental perspectives

in which policy is understood exclusively as a gradualist evolutionary process from one period to the next. Rather, as Baumgartner and Jones (1993) and Baumgartner et al. (2014) argue in relation to agenda dynamics in American politics, policy processes tend to be characterised by longer periods of incrementalism, with negative feedback making policy changes to the status quo relatively minor and difficult to sustain. At the same time, however, large policy changes do periodically occur, reflecting processes of positive and assertive feedback, often in response to sudden changes in opinion, event development, or shocks (Robinson, Caver, Meier, O'Tool, & Laurence, 2007, pp. 140–141). Similarly, PDF has also attempted to explain policy change, sequentiality, and processes of contingent and conjunctural causation in relation to the interplay of constraining environments and policy entrepreneurship. It aims to account for both the structured nature of policy making within existing institutional contexts but interspersed with gradual and sudden policy ruptures or institutional transformation (David, 2002; Kay, 2005; Mahoney, 2000).

### 3.2 *Methodological Weaknesses*

Despite their wide utilization as frameworks to map, explain and understand actors, actor constellations, institutions, and the environmental contexts which conspire to cause policy and institutional change in incremental or non-incremental ways, the very fact of the existence of multiple frameworks suggests ongoing theoretical contestation. Path dependency perspectives, for example, have been criticised for assuming sequentiality, and the 'inherent logic of events' connected by discrete yet interconnected 'enchained sequences'. As Mahoney (2000) notes, 'this formulation leaves open the question of how one event "logically" or "inherently" follows from another', noting that 'path-dependent analysts cannot simply appeal to Dr. Seuss-like explanatory principles—i.e., "it just happened that this happened first, then this, then that, and is not likely to happen that way again"' (p. 530). Similarly, the PEF has drawn strong criticism for being descriptive rather than methodologically rigorous. As Robinson et al. (2007, p. 141) note, '[t]his theory has been remarkably difficult to test in political science just as it was in its home discipline of palaeontology'. More obviously, the PEF does not provide any predictive framework for when, 'precisely, punctuations will occur or when equilibrium returns after a punctuation'. All it predicts is that 'punctuations will be large, but rare', rendering the null hypothesis for punctuated equilibrium slippery: 'Any

particular policy history in which one sees change can be called confirming evidence. Any policy history in which one sees stability can also be seen as confirming evidence' (ibid).

The MSA has also been criticised for failing to produce testable hypotheses, instead splintering into studies that attempt to refine the model and add further variables or qualifications (Nowlin, 2011, p. 46) (see also Herweg, Huß, & Zohlnhöfer, 2015; Howlett, McConnell, & Perl, 2015; Zohlnhöfer et al., 2015). Cairney and Jones, for example, found that while the MSA literature was extensive, it was populated 'primarily by isolated case studies where authors either: do not speak to the wider literature, present models that are difficult to compare with others, or use MSA to focus on new objects of study' (Cairney & Jones, 2016, pp. 49–50; see also Jones et al., 2016; Rawat & Morris, 2016, pp. 622–624; Zahariadis, 2016). Capano (2009) also questions the underlying epistemological logic of the MSA, and what he identifies as a 'substantial incongruence' in the MSA approach:

A complex adaptive system means a system (a policy in our case) that adapts through the reciprocal adaptation of all its own components .... [T]he MSA, on the contrary, assumes that there is only a contingent influence of the three streams of policy, politics and problems, even if the political stream provides several constraints that limit the independence of the other two streams. How do the various components of a policy co-evolve if the three constitutive elements are supposed to be substantially independent? In other words, if the political system is significantly constraining the other two streams, this indicates a kind of hierarchy among the three streams .... To be coherent from the "complex adaptive systems" perspective we need to assume that the various parts of the policy arena constitute a driver of change by directly influencing other components. From this point of view, the MSA is affected by a contradiction between its basic epistemological and theoretical choices and the combination thereof. (pp. 19–21)

Despite its wide application, the ACF also suffers from conceptual indeterminacy, highlighting several issues concerning its epistemological fiat. The primacy of its ideational approach—the theoretical assumption that values and beliefs are core to coalition formation/maintenance and, in essence, dominate over material interests—insulates the framework from rigorous testing. As Jacobs observes, 'most arguments about ideational effects seem to leap directly from the content of an idea to the content of actors' beliefs, goals, and policy preferences'. But why should we assume

that belief systems, ideas or values represent some ‘seamless web’ that are ‘unitary and internally coherent across groups and situations’ (Jacobs as quoted in Carstensen, 2011, p. 151; Jacobs, 2009)? Indeed, the analytical rigour of the framework is limited by several assumptions: that ‘individuals are rationally motivated but are bounded by their imperfect cognitive ability’ (rationally motivated in relation to core beliefs or empirical evidence?); that individuals have multiple layers of beliefs that are inversely related to evidence; the more core the belief, the less malleable it is to empirical evidence (but how do we identify core beliefs, are they discrete or interrelated with other beliefs/values that are equally resistant to empirical evidence?); that the happenstance of external events (major socio-economic changes, changes in public opinion, changes in governing coalitions, etc.) are often key drivers of policy change (but without specifying the parameters of externally driven change versus advocacy coalition induced change); that actors and coalitions are nominally constrained by the institutional environment in which they operate, such as resources, the leadership skills of policy entrepreneurs, or the institutional venues in which advocacy coalitions ply their art of persuasion, but in ways that are not specified (leaving unresolved the enduring problem of the agency of coalitions versus structure/institutional context) (Weible & Sabatier, 2006, pp. 127, 129). These analytical parameters are not empirically grounded so much as statements of faith—beyond verification. Indeed, the ACF can be accused of being *post hoc, ergo propter hoc*; in essence, suggesting that correlations between constituent *assumptions* are important and then assuming that this provides an *explanandum* of causation (James & Jorgensen, 2009, pp. 144–145).

#### 4 WHERE TO NEXT? A GRAMMAR OF INSTITUTIONAL AND POLICY CHANGE

A common outcome of initial waves of theoretical effort is typically the emergence of a shared grammar; the stabilisation of language, the emplacement of definitional parameters around core concepts, broad agreement about key questions or puzzles, and occasionally the emergence of common research agendas—perhaps even core paradigms. Crawford and Ostrom (1995) long ago recognised the importance of this in relation to institutional theory, and the danger the absence of such a grammar posed to theoretical advancement in the field. Their solution was to systematically

emplace such a grammar, to stabilise language and nomenclature so that the specificity of meaning in relation to the description and analysis of institutional features (norms, rules, strategy, institutional statements, routine practices, institutional logics, etc.) would enable genuine comparison across institutional spaces, geographies, and settings, preparing the way for theory building and the possibility of developing testable hypotheses (Levy & Scully, 2007, p. 973).

Despite their efforts, however, many of which were dutifully followed among adherents of the Institutional Analysis and Development Framework (IAD) in addressing common pool resources and collective action problems, the results have been disappointing (Nowlin, 2011, pp. 42–43) (Meier, 2009; Ostrom, 2007). The grammar of institutional theory, specifically of institutional and policy change, remains idiosyncratic, endlessly divisible, with ever more discrete studies often contributing further silos to an already silo-ised and fractious compendium of research effort. While it would be naive to suppose theory building is a simple linear process of knowledge development, cumulative and progressive, it is not unreasonable to assume that it cannot be endlessly circular or redemptive in the sense of periodically starting from scratch, continuously modifying method, language, focus, scope, or introducing further analytical qualification.

In a sense, however, this is precisely what much institutional analysis has been (Meier, 2009): theoretically inconclusive, a research programme that is periodically relaunched, but ultimately failing to provide greater clarity to questions of institutional and policy change or achieve any substantive theoretical settlement. For any new entrant to the discourse and literature on institutional and policy change much of the effort commences with an attempt to work out where we are, what if anything has been achieved, and where the next theory-building effort might be directed—another modification to method, a further variable to consider, a hitherto understudied mechanism of causality producing change, another attempt at theory or theoretical synthesis?

This is not to disparage the enterprise of scholars or the scholarship produced, but simply to acknowledge that the effort has not been commensurate with the outcomes, theoretically speaking. It is also to highlight a core and enduring problem for the social sciences; the failure to more fully grapple with key theoretical questions about *social action*, and the deeper epistemological limits to knowledge manifest in understanding the relationship between *structure* and *agency*. Institutional theory and policy



science have devoted too little time to linking their research agendas to social theory and the epistemic basis of knowledge in social science. The result, unsurprisingly, has been an endless scramble for still more frameworks and methods but in ways that are fundamentally disconnected from core issues otherwise necessary for successful theory building. The failure of theorising is often masked by the call for more research. Mintrom and Norman, for example, when reflecting on policy entrepreneurs and their relationship to policy change, note that policy scholarship is thus far inconclusive, that there remains room ‘for more conceptual development and empirical testing concerning policy entrepreneurship’, that more study is required of the ‘interactions between policy entrepreneurs and their specific policy contexts’, and that various ‘methods could be employed in such studies; as always, methods must be shaped to the specifics of research subjects and their contests’ (Mintrom & Norman, 2009, p. 661). But why? The sense that more empirical studies or more methods to conduct further empirical investigation will lead automatically to conceptual development and theoretical settlement is overly optimistic. It will simply lead to more empirical research, the collective outcomes of which will be a vast compendium of discrete case studies and ever more thick descriptions of actors within, and their relationship to, institutions.

For policy science, the absence of a deeper sense of these epistemological questions is its Achilles heel. It leads to a profusion of what might be termed second- or third-order research questions—interesting though they may be. Mintrom and Norman, for example, provide a shopping list of areas requiring further empirical investigation in order to achieve ‘conceptual breakthroughs’: the motivations of policy entrepreneurs; the role of political ambition among policy entrepreneurs, career paths and policy entrepreneurship; ‘how contextual factors serve to constrain and shape the actions of policy entrepreneurs’; the role of ‘information, risk and trustworthiness’ in policy entrepreneurship; the ‘sequencing of policy entrepreneurship’; how ‘certain circumstances are more or less likely to favour the emergence of policy insiders or outsiders as policy entrepreneurs’; and explorations into the ‘relative significance of contextual factors versus the actions and attributes of policy entrepreneurs for affecting policy change’ (Mintrom & Norman, 2009, pp. 660–662). Much as with Kingdon’s MSA framework, one wonders to what degree further, empirically discrete studies might simply add to the ‘primeval soup’ but without necessarily leading to any ‘conceptual breakthroughs’?

The recent embrace in policy science of *bricolage* as the newest ‘method’ or framework for understanding gradualist institutional and policy change highlights this broader epistemological and theory-building dilemma. Adopted from critical theory perspectives, specifically the work of Lévi-Strauss (1966) who employed the concept as a means of differentiating between mythological and scientific knowledge, *bricolage* was used to describe discursive and opportunistic processes of recombination in which the *bricoleur* (the ‘savage mind’) ‘works with his hands in devious ways, puts pre-existing things together in new ways, and makes do with whatever is at hand’ (Mambrol, 2016). The concept has been appropriated by policy science to conceptualise the manner in which institutional or policy entrepreneurs innovate to produce change. For policy science, the *bricoleur* connotes a ‘Jack of all trades or a kind of professional do-it-yourself person’ (Mambrol, 2016). As Carstensen notes, *bricolage* is ‘relevant for understanding processes of institutional change’ since institutions provide a ‘repertoire of already existing institutional principles and practices that actors can use to innovate’, and thus modify (incrementally) institutions and policy (Carstensen, 2015, p. 143; see also Carstensen, 2011; Carstensen & Schmidt, 2016). Applying the concept of the *bricoleur*, Carstensen argues, helps mediate broader questions about structure and agency (or institutions and institutional entrepreneurs): ‘bricolage is not only about the reuse of existing institutional elements, but also—resembling the process of mimetic isomorphism discussed in DiMaggio and Powell (1983)—about the transfer of practices from one field to another in which they have not previously been applied, leading to true innovation’ (Carstensen, 2015, p. 144).

In point of fact, of course, invoking the concept of the *bricoleur* simply re-states how institutional/policy entrepreneurs have already been defined. For example; ‘[i]nstitutional entrepreneurship can be understood as strategic action: Institutional strategies are patterns of organizational action concerned with the formation and transformation of institutions’; institutional entrepreneurs ‘lead efforts to identify political opportunities, frame issues and problems, and mobilize constituencies’ (Levy & Scully, 2007, p. 974). Or, using Kingdon’s definition of ‘policy entrepreneurs’: they are actors who ‘lie in wait in and around government with their solutions at hand, waiting for problems to float by to which they can attach their solutions, waiting for a development in the political stream they can use to their advantage’ (Kingdon, 1984b, pp. 165–166) (Cairney, 2011, pp. 271–272). *Bricolage* does no more than re-state the existence of

already defined actors and the manner of their actions within institutions. It does not, as such, offer a ‘conceptual breakthrough’ or theoretical innovation, or settle fundamental questions about agency and structure or the ‘paradox of embedded agency’ (Levy & Scully, 2007, p. 974). The fundamental dilemma of embedded agency and of constructing an epistemic social science knowledge able to adequately account for social action within structured environments remains unaddressed.

For institutional theory too, these same dilemmas are apparent. Campbell and Pedersen’s call for a new wave of institutional analysis, for example, recognises the disappointing outcome of theory-building efforts across the social sciences, where recurrent questions about the nature of institutional isomorphism, the constitutive basis of institutions, their functions and characteristics, and the role of agency in relation to incremental and non-incremental change, had produced few conclusive insights. In response, Campbell and Pedersen (2001, p. 3) see the need for a new movement in institutional analysis: ‘the fact that debates about the relative explanatory power of these paradigms keep recurring in the social science fields of political economy, historical sociology, comparative politics, international relations, organizational analysis, and others suggests that no paradigm has a monopoly on the truth’. Rather, they suggest abandoning ‘paradigmatic boundaries’ so that ‘scholars can discover a wider, more complex array of mechanisms of institutional change than each paradigm generally can alone’:

... linking paradigms by specifying contexts under which different causal processes operate; blending insights from different paradigms to show how the causal factors of one paradigm interact or are nested with those of another; identifying analytic problems shared by different paradigms; and subsuming arguments from one paradigm into those of another. (ibid.)

Again, this is a call for more research, the empirical identification of still more mechanisms of institutional change and more discrete case studies in the hope that the sheer weight of deep empiricism will somehow lead to concrete theoretical breakthroughs. It is also an acknowledgement of theoretical indeterminacy; about the object of study (what it is we are seeking to understand) and how to approach it theoretically. Indeed, Campbell famously demonstrated this theoretical indeterminacy when he posed three basic and enduring questions at the very core of institutional analysis: what is institutional change, how would we know it when we see it,

and what does it look like when it occurs? (Campbell, 2004, p. 31). Unfortunately, Campbell's questions remain largely unanswered, cut adrift by the paradigmatic mixing and blending of countless frameworks and empirical cases coupled with the failure to develop a common institutional-theoretical grammar. As always, theoretical advancement and the construction of an epistemic knowledge of institutions and change will rest in addressing adequately these most fundamental of questions:

1. *What is an institution?* 'Multidimensional sets of rules' as Campbell claims (Campbell, 2010, p. 107)? 'Structures that matter most in the social realm' and 'which make up the stuff of social life' (Hodgson, 2006, p. 2)? A social structure that, as Veblen and Commons both argue, has the potential to change agents, agential purpose and preferences (Commons, 1959; Papageorgiou, Katselidis, & Michaelides, 2013; Veblen, 2007)? Or prescribed patterns of correlated behaviour (Foster, 1981)? While definitional work differentiating between institutions, conventions and rules has proceeded apace in an effort to stabilise the language surrounding institutional analysis, it would be incorrect to state that such efforts have reached a conclusion. To be sure, there is broad agreement that institutions are written and unwritten rules and norms that guide the behaviour of actors through a logic of appropriateness (i.e., beliefs and ideas) and/or a logic of instrumentality (i.e., cost-benefit calculation), but beyond this important insight the notion of an institution remains broadly intuitive, understood generically as a social construction and definitionally malleable, dependent on context and application (Campbell, 2004).
2. *What is the difference between institutions and structure?* Conflating and/or confusing institutions and structures remains problematic in institutionalist, social theory and policy science literatures (Bakir, 2013, 2017). Theorizing the role of structure and agency, and of policy entrepreneurship within institutions, has often been conflated in ways that diminish the prospects for conceptual clarity or theory-building breakthroughs. Sewell, by contrast, understands structures as 'sets of mutually sustaining schemas and resources that empower and constrain social action and that tend to be reproduced by that social action' (Sewell, 1992, p. 19). They refer to broader material (e.g., macroeconomic, market, and financial structures) and ideational (e.g., national culture and administrative traditions/styles)

contexts in which institutions and agents are embedded (Bakir, 2013; Bourdieu, 1979). Structures, in other words, not only shape institutions but also arise organically from the nature of institutions themselves—expressed through agential authority. There is, in this sense, great need for a revisitation of core postulates undergirding our understanding of structure and the way in which institutions are embedded within ideational and material structures—work that hitherto has not received the attention it deserves.

3. *What is the impact of context on agency behaviour?* Much theoretical effort has been expended on theory building concerning the relationship between agential authority and structure. Much of this, however, has been non-situational, particularly so in policy science where the impact of context on actor behaviour has been insufficiently addressed: how individual agents both shape their context and are shaped by it. While there is broad concurrence that agential actions are context-dependent and reflect dynamic interactions among interdependent structures, institutions and agency-level situations, and that these contexts can both enable and constrain agential authority, too little theoretical work has built upon the distinction between structures, institutions, and agency-level enabling/constraining conditions in a way that enables scholars to disaggregate these interactions and the conditions which facilitate and constrain agential behaviour (Bakir, 2013, 2017; Bakir & Jarvis, 2017).
4. *What functions do institutions perform?* While definitions of institutions remain broadly contested, for institutional scholars it is the functions that institutions perform that remain of central concern in terms of how they shape, mediate, and impact social agency, political, economic, and social outcomes—and thus the change that may ensue. But how do we identify institutional functions? Not all institutional functions are obvious, and some may only be important in the context of their relationship to other functions or as a constellation of coextensive functions. Identifying the functions of institutions thus remains an inherently normative exercise, largely contingent on the mode of institutional analysis adopted, context and scholarly fancy.
5. *What is it about institutions that we seek to measure or assess in terms of change?* Is it institutional authority, the instruments of authority, the rules and norms of the institution, or particular attributes (i.e., beliefs, ideational values, systems of empowerment and political

representation)? Are we measuring the changes to institutional structure and composition, context, or the change this generates in relation to agency, social, political and economic outcomes?

6. *How do we demonstrate causality relative to institutional change?* Institutional rules may change, new norms may be adopted, or the precise functions of an institution may evolve over time, but how can these changes be measured in relation to exogenous performance outcomes within an economic system, political regime, or social order? Isolating variables and demonstrating causality is always difficult but in institutional environments where routes of transmission are multiple (market signals, rules based, incentive based, social, political, ideational), teasing out causal drivers and the relationships that may obtain is problematic. As Campbell notes, 'it is easier to determine the degree to which institutional rules have changed than it is to determine the degree to which these changes have affected functional performance. This is because it is often hard to determine precisely how much institutions, rather than other factors, affect national political-economic performance' (Campbell, 2010, p. 107).
7. *How do we conceptualise and situate a locus of institutional change?* Do exogenous factors drive institutional change or do changes in the fabric, functions, or ideational values embodied in institutions drive change in the exogenous environment? There are, for example, plenty of examples where 'institutional drift' occurs either due to changes in the exogenous environment causing institutions to redefine their role, functions, and the scope of the institution and/or convert the institutional motif in order to sustain institutional relevance, but equally numerous examples of institutions becoming redundant, outpaced by exogenous developments, unable to adapt or modify, resulting in them becoming obsolescent. Do we thus understand institutions predominantly in relation to change in exogenously driven processes, as reactive and adaptive (or non-adaptive as the case may be) or as drivers of change in exogenous environments?
8. *How do we overcome the bias of 'formal' and 'substantive' rationality in institutional analysis?* Weber long ago identified three rationalities: formal rationality (the 'extent to which action happens as a consequence of quantitative' calculation); substantive rationality (which focuses on results and outcomes and refers to 'the success or failure of economically orientated action to achieve some ultimate

objectives’); and hermeneutic rationality, where action ‘may not be instrumentally optimal, may not be methodically consistent, and yet may be understandable because we comprehend the causal rules that generate it’ (Rona-Tas, 2007, pp. 113–114; Weber, Wittich, & Roth, 2013). In institutional theory there has been a tendency to approach institutions and questions of institutional change from the perspective of formal and substantive rationalities. North’s grand attempt to explain the causes of economic stagnation and decline, and those of success, in terms of the institutional frameworks that prevail, for example, is an attempt to apply formal and substantive rationalities in order to harness a utilitarian logic that can then be applied to public policy. It is an instrumental rationality designed with a view to ‘quantitative calculation or accounting’, the identification of the technically possible, and its potential application to realise socio-political-economic outcomes (i.e., institutional design) (Weber, 1947, p. 184). But can theory-building efforts in institutional analysis be successful if we rely exclusively on formal and substantive rationalities of inquiry? The limits of an epistemic knowledge of institutions and institutional change may reflect a hermeneutic rationality in which history, institutional orders and the social forces that propel them represent numerous socially divisible interpretive efforts by actors to make sense of their environments and then act on this interpretive moment. In other words, the constellation of factors that lead to particular institutional configurations may reflect little more than agential fancy, rather than purposeful design (Beckert, 2009).

Doubtlessly, there are other equally important questions. The challenge for social science, and policy science in particular, rests in a fundamental examination of our attempts at conceptualisation and a more perspicuous engagement with social theory if our collective theory-building efforts about institutions, actors, and institutional and policy change are to yield future conceptual breakthroughs.

## NOTE

1. More recent renditions of the MSA approach have, according to Nowlin (2011, p. 45) shifted from a focus on ‘agenda setting to one of policy design and formulation’.

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PART I

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Theorizing Institutional  
Entrepreneurship and Policy Change

# Enablers and Time: How Context Shapes Entrepreneurship in Institutional and Policy Change

*Maria Tullia Galanti*

## I INTRODUCTION

Scholars in institutional theory and policy process are rediscovering the importance of agency in accounting for change of different forms, intensities and origins. In particular, scholars increasingly acknowledge the need to go beyond perspectives that advocate the supremacy of approaches based on structure over accounts of situated agency, and vice versa. It seems more fruitful to think about change as the result of interaction between the two, to try to understand how structure and agency mutually influence each other (Garud, Hardy, & Maguire, 2007, pp. 690–691; see also Bakir & Jarvis this volume).

In the words of Emirbayer and Mische (1998, p. 970), agency is “the temporally constructed engagement by actors of different structural environments—the temporal-relational context of action—which through the interplay of habit, imagination, and judgement, both reproduces and transforms those structures in iterative responses to problems posed by

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changing historical situations”. Agents of change are thus embedded in one or more structures simultaneously. This allows them to move from one context to another, to be embedded in multiple temporalities and, ultimately, to change their relationship with a structure (Emirbayer & Mische, 1998, p. 963). Thus, we may define “agency” as the action of “actors with a purpose”: when an “actor” explicitly operates to have an impact on existing situations, he or she turns out to be an “agent” bound to a context of action.

Among the different functions of agency (Capano & Galanti, 2015), entrepreneurship is the concept that has received most attention. It is widely used to account for both institutional and policy change, a complex system of political change that involves the goals, the instrument, and the setting of public intervention regarding a problem. While institutional change is often focused on the structures and norms of formal institutions, policy change deals with modifications in content, goals and means, but also in the interactions in policy subsystems. Institutional and policy change mutually affect each other, as institutional creation and reform may represent a crucial moment in a process of policy change, and as changes in policy goals, instruments and coalitions may affect the relationship between institutions and their environment. Thus, whether scholars are interested in changing ways of doing things inside an institution, or are looking at inter-organizational processes of policy change, entrepreneurship can be considered one of the key elements to initiate a break with the status quo.

The concept of entrepreneurship originated in economics and takes on slightly different characterizations according to the perspective of the study. While economists are interested in making profit out of creative destruction (Schumpeter, 1934), political scientists focus on individuals whose creative action has effects on politics and policies, essentially aimed at gaining electoral support and transforming the institutional boundaries of authority (Sheingate, 2003, p. 48). While policy entrepreneurship is focused on how single (or groups of) individuals or organizations endeavour to sell ideas and ultimately introduce innovations aimed at problem-solving (Kingdon, 1995; Mintrom & Norman, 2009; Ackrill & Kay, 2011), institutional entrepreneurship aims to explain the apparent paradox of institutional creation or change promoted from within by embedded agents (DiMaggio, 1988). Despite these different characterizations, a minimal definition of entrepreneurship involves the investment of *resources* to promote *innovation*, facing *risks* and hoping for *future returns*.

Thus, entrepreneurship is widely used to account for the role of agency in change processes. In this chapter, we will focus on two streams of literature, that on institutional entrepreneurship and that on policy entrepreneurship, both of which are attentive to the description of the features and activities of entrepreneurship, on the one hand, and to the understanding of how change may be affected by the interaction of entrepreneurship with structural factors, namely context, on the other.

This chapter thus aims to show the distinctive features and causal potential of institutional entrepreneurship, on one hand, and policy entrepreneurship on the other (Sects. 2 and 3, respectively). By focusing on the main limitations of each approach, the chapter will also offer a reflection on how institutional entrepreneurship can take stock of theories regarding the policy process to better understand how institutional change is affected by time and by coalition dynamics, and how policy entrepreneurship is constrained and enabled by the structural context (Sect. 4). The conclusions will summarize the literature review<sup>1</sup> of the studies on institutional and policy entrepreneurship, and propose entrepreneurial activities for the acknowledgment of agency in institutional and policy change (Sect. 5).

## 2 INSTITUTIONAL ENTREPRENEURSHIP AS EMBEDDED AGENCY

Institutional theory has approached the theme of agency with embarrassment, given the importance of taken-for-granted rules and stable norms for the survival of institutions. While some scholars have remained oriented to structures and exogenous shocks as the prevalent drivers of change, some others have built on the intuition of DiMaggio (1988), who noted that “creating new institutions is expensive and requires high levels of both interest and resources. New institutions arise when organized actors with sufficient resources (institutional entrepreneurs) see in them an opportunity to realize interests that they value highly” (p. 14). In this sense, change can also be endogenous, despite pressures over stasis, opening the question of the paradox of embedded agency, meaning the possibility of agents to purposefully act in order to change the rules upon which those same institutions rely (Battilana, Leca, & Boxenbaum, 2009, p. 66; Seo & Creed, 2002). The fundamental puzzle is how human agency can act to change the institutions that determine collective beliefs and stabilized norms. It is also vital to determine the conditions necessary to have

purposeful agents that are both institutionally embedded and able to distance themselves from institutional pressures. Only these agents are able to foresee new ways of doing things and to act strategically to implement institutional change (Battilana & Leca, 2008).

The paradox of embedded agency is tackled with reflection on the diffusion of agency, its reflexive capacity and the importance of context. Agency is diffused within different structures, generating pressures for change and providing different platforms for entrepreneurial activities. So, institutional entrepreneurship arises as the capacity to imagine alternative possibilities and to contextualize past habits and future projects within the contingencies of the moment (Emirbayer & Mische, 1998, p. 693; Garud et al., 2007, p. 691). Agents show an autonomous reflexivity about institutions that is likely to lead actors to experience conflict or unease with surrounding structures, and thus to develop alternative ideas and to seek opportunities for change (Mutch, 2007).

The paradox of embedded agency is thus possible if we consider the interaction of agents with context and the discrepancy between agents' expectations and their perception of the actual state of institutions. In this sense, institutional entrepreneurs are a particular type of change agent, capable of initiating divergent changes and of participating actively in their implementation (Battilana et al., 2009, p. 68).

Embedded agents become entrepreneurs when certain enabling conditions are present in their institution. These enabling conditions are what link agency and structure, allowing us to resolve the puzzle of embedded agency and to account for situated actions. This is because the same structures that constrain are also those that enable actors' choices without determining them. The enabling conditions for institutional entrepreneurship relate, first, to organizational field characteristics and, second, to actors' social position. Field features may open spaces for entrepreneurship, but social position may affect the agent's point of view and access to resources so that both aspects are important to understand institutional entrepreneurship (Battilana et al., 2009, pp. 74–78).

The enabling role of field-level conditions lies in the presence of jolts, crises, social upheaval and technological disruption. These may act as external pressures and affect widespread consensus at the field level, open the interpretation of norms and allow the introduction of new ideas (Battilana et al., 2009, p. 74). The degree of heterogeneity in the field also plays a role: the existence of multiple institutional orders provides opportunities for entrepreneurs to act at different levels, especially when diver-

sity gives rise to internal contradictions. Similarly, a low degree of institutionalization brings uncertainty, which may provide opportunities for strategic actions.

Nonetheless, willingness and potential to act depend also on the role of the agent's social position (Battilana, 2006). Social position affects both perceptions of the field and, most importantly, access to the resources needed to initiate divergent change. Social position interacts with field characteristics. For example, in highly heterogeneous contexts with low institutionalization, change is more likely to emerge from the peripheries of the field; in more stabilized fields, it is more easily promoted by agents at the centre (Battilana et al., 2009, p. 76). The positioning of the organization itself will affect the likelihood of it acting as an entrepreneur: organizations that are at an intersection between fields and are provided with tangible and intangible resources (Battilana & Leca, 2008) are more likely to act entrepreneurially. Similarly, individuals embedded in multiple fields may provide the legitimacy to bridge diverse stakeholders and access to a variety of resources.

Nonetheless, enabling conditions must combine with a set of activities to implement divergent change, especially when the distance from the status quo is great (Battilana et al., 2009, p. 78). Drawing on the management literature, Battilana and colleagues propose three entrepreneurial activities for implementing divergent change: developing a vision, mobilizing people and motivating others to achieve and sustain that vision. This means both recruiting allies and facing opponents.

Creating a vision for divergent change implies the use of different framing (diagnostic, prognostic and motivational) in order to appeal to the actors needed to implement the vision, and providing them with reasons to support change. To craft a vision that is sensitive to cultural and discursive contexts, institutional entrepreneurs may need to have a "mastery of framing", being able to generate a sense of urgency, to clearly present and promote a vision of the proposed change (Battilana et al., 2009, p. 81).

Institutional entrepreneurs must also be skilful at mobilizing allies, thanks to a performative and emphatic use of discourse that gives meaning and theorizes a story that links past and present events, using different narrative styles. At the same time, the mobilization of allies involves the use of resources to induce endorsement and support for change—where the most important resources are finance, authority, social capital and reputation—in order to broker among groups and to assemble coalitions around the vision of change (Battilana et al., 2009, p. 84).

This attention to resources and discourse allows us to consider the creative role of institutional entrepreneurship which must establish a common identity, and which resonates with the interests and values of different actors (Hsu, 2006). This suggests that institutional entrepreneurship may vary according to context (Maguire, Hardy, & Lawrence, 2004), which structures the causal potential of entrepreneurship. In other words, institutional entrepreneurs may select structure and logics according to the context and therefore determine the most suitable strategy or institutional logic in order to find potential allies and, ultimately, to foster change (Leca & Naccache, 2006, p. 634). This complexity also indicates that it is seldom a single agent to foster change, but rather a collective of institutional entrepreneurship (Wijen & Ansari, 2007). It also suggests a greater attention to both the *processual* and the *political* implications of promoting divergent change (Battilana et al., 2009, p. 89). As I will discuss later on, these dimensions are mastered in public policy and political science.

Still other interesting elements useful to solving the paradox of embedded agency in its iterative relations with the *structural* (i.e., material and ideational context within which institutions and actors are embedded) and *institutional* (i.e., formal and informal rules) contexts<sup>2</sup> may come from study of the features of institutional entrepreneurship in macroeconomics and financial institutions (Bakir & Gunduz, 2017). In this particular sector, where macroeconomic and transnational dynamics play a role, institutional change is affected by domestic institutions, which filter conflicts and reinterpret external pressure. A focus on agency helps to reveal how actual change emerges from the interplay of political leaders, ideational entrepreneurs, policy entrepreneurs and epistemic communities. Bakir and Gunduz consider the enabling conditions at the individual and organizational level, arguing that a policy entrepreneur advocating a particular idea becomes an institutional entrepreneur when he purposefully initiates change and then steers through all the stages of the policy process (Bakir, 2009, pp. 587–588).

In addition to field-level conditions and social positions, recent literature on institutional entrepreneurship has shown the importance of agency-level enabling conditions for institutional entrepreneurship (Bakir, 2009, 2013, pp. 48–50, 123–134). Multiple identities (e.g., decision-maker, politician, national/transnational bureaucrat, frame and mediator) enable the institutional entrepreneur to operate in different ideational realms, mobilize ideas and discourse, and to build coalitions and resolve

conflicts in the various stages of the policymaking process leading to institutional change (Bakir, 2009, p. 587).

Thus, by utilizing coordinative and discursive skills, the institutional entrepreneur adapts an idea to the contingent context. This form of institutional entrepreneurship is more likely to emerge when policy entrepreneurs with multiple identities mobilize various ideas, resolve conflicts within domestic and international policy communities, and steer the translation of the policy idea into policy outcomes (Bakir, 2009; Bakir & Gunduz, 2017). In this picture, a multilevel array of analytical tiers must be considered, starting from the diffusion of ideas at the international level, the bargaining for resources at the domestic level and the use of tangible and intangible assets at the organizational level (Quaglia, 2005a, 2005b). In so doing, this account of institutional change suggests focusing on the link between institutional settings, and points to the main limitations of both public policy analysis and institutional theory. While the former gives little attention to context, and more specifically to how the structures, institutions and enabling conditions affect agency, the latter undervalues the importance of actor mobilization across multiple levels and does not consider the political dynamics linked to coalition building (Bakir & Gunduz, 2017).

In the next section, we will explore the literature on public policy to describe the features of policy entrepreneurship, looking for similarities and differences with the institutional approach.

### 3 POLICY ENTREPRENEURSHIP AS STRATEGIC ACTION ACROSS ORGANIZATIONS

When the angle of observations turns from institutions to a wider policy subsystem in a specific policy sector, entrepreneurship enters a more ample and fragmented setting. Public policies are composed of many components (values, goals, instruments, settings) and involve many individual and organizational actors whose membership is often cross-cutting, and they are developed by purposeful agents oriented not only to increase their influence but also to solve concrete problems. The boundaries of policy subsystems thus become more difficult to identify, and the temporal perspective acquires crucial importance to distinguish the outcomes of change and its causes. Not only must agency be analysed in time, but the same agent may play different formal and informal roles in each phase of the policy process.



In this broader view, scholars see policy entrepreneurship in strict connection to change. Though it can be unsuccessful, most literature is oriented to understand how entrepreneurship can foster effective change. Policy entrepreneurship is often related to radical forms of change (Mintrom & Norman, 2009) and involves a strategic use of ideas and resources. In one of the most popular definitions of policy entrepreneurs, Kingdon (1995) pictures them as “advocates who are willing to invest their resources—time, energy, reputation, money—to promote a (policy) position in anticipation for future gains” (p. 188). In his reconstruction of how change unfolds in the agenda and decision-making, Kingdon also emphasizes the temporality of the agency of policy entrepreneurs, who must be skilled at coupling the three streams of problems, policies and politics during an open window of opportunity. They are like surfers waiting for the big wave, being full of policy ideas and waiting for their time to come (Kingdon, 1995, p. 193). Policy ideas are what matter most to these entrepreneurs, who are also deeply concerned to build coalition to sustain their change projects. In this sense, Kingdon emphasizes that entrepreneurs are more important than investors in achieving policy change, as what matters most to them is to make the critical couplings between actors in the three streams, often recombining rather than mutating their policy ideas. In so doing, policy entrepreneurs must be simultaneously skilful in advocating their ideas in the political system, framing problems and softening up the process of education, and brokering by negotiating resource exchanges with potential allies and building coalitions (Kingdon, 1995, p. 192). In this sense, entrepreneurship is both ideational and strategic.

Other authors insist on the innovative character of the ideas generated or translated into the public sector. Public entrepreneurs create, design, implement and institutionalize innovative ideas, engaging at the intellectual, strategic, political and administrative levels: they advocate new ideas, define and reframe problems, specify policy alternatives, broker ideas among actors, mobilize public opinion and help to set the decision-making agenda (Roberts & King, 1991, pp. 151, 168). Taking stock of the different studies produced in the 1990s, Mintrom and Vergari (1996, p. 422) synthesized the traits of a “model” of policy entrepreneurship which, in their opinion, is a promising way to account for the role of agency in policy change. As in economics, entrepreneurs discover unfulfilled needs and suggest innovative means to satisfy them, they bear the reputational risks involved in uncertainty, and they assemble and coordinate networks

of individuals and organizations. Policy entrepreneurship is fundamentally about selling ideas designed to bring about change through the resolution of collective action problems. Given the impressive variety of activities that they must perform, entrepreneurs can be identified by what they do, rather than by the position they hold (Mintrom & Vergari, 1996, p. 423).

This aspect marks a difference from the institutionalist view of entrepreneurship, in which formal and social positions trigger or constrain action. Another relevant difference is in the importance of coalition building as networking, mainly across institutional boundaries, “in and around government”: policy entrepreneurship can be easily found outside political institutions, though with easy access to decision-makers (Mintrom & Vergari, 1996, p. 24). Personal skills and resources play a key role in entrepreneurial activities: according to Kingdon, policy entrepreneurs must possess political connections and negotiating skills, technical expertise and persistence. Intellectual ability, knowledge of policy matters, leadership and team-building skills, and credibility and social esteem matter. Policy entrepreneurs are thus advocates who change the established ways of doing things by defining problems, building teams and leading by example, as well as displaying social acuity (Mintrom & Norman, 2009, pp. 649–650). Similar to the institutionalists, Mintrom and Vergari (1996) emphasized the discursive role of entrepreneurs in shaping the debate around policies, and they also recommended paying attention to the contextual factors that may shape actors’ strategies.

The latter point suggests that, while being focused on the fine-grained reconstruction of the contingent policy process, public policy should also carefully consider the contextual character of policy entrepreneurship. Zahariadis (2007) proposed that, when dealing with strategies to unite the streams during a policy window, the entrepreneur must consider the emotional side of his or her proposal and pay serious attention to the national mood of the moment. Policy entrepreneurship thus does not only imply selling ideas to policymakers but also using symbols and framing narratives to deal with emotions. Moreover, knowledge of the institutional rules allows policy entrepreneurs to effect a strategic manipulation of sequential decision-making for, in a situation of ambiguity, the most important aspect of entrepreneurship is not the pursuit of self-interest but the clarification or creation of meaning for policymakers and those who have problematic preferences (Zahariadis, 2007).

At the same time, astute framing of problems may allow the entrepreneur to use his or her policy idea as a coalition magnet, to rebuild identities

across organizations (Béland & Cox, 2016). When the entrepreneur's message is coherent and is shaped by a powerful coalition, it can be highly influential (Saurugger & Terpan, 2016). Finally, when decisions have been taken, entrepreneurs and political leaders must secure the coupling and the coalition of interests they have created. Successful strategies in the decision-making phase, such as issue-linkage and adapting the framing, performing side-payments to possible allies and manipulating institutional rules, may lead to implementation failures under particular structural conditions, such as economic crisis, centralized monopolies and inconsistent communication (Zahariadis & Exadaktylos, 2016, p. 77).

Policy entrepreneurship thus turns out to represent a group of different activities aimed at radical change in goals, instruments and arrangements of policies, whereby agents invest resources to push their policy ideas in the process. Innovative ideas, discourse strategies and the use of a variety of resources for coalition building seem to be the constitutive traits of policy entrepreneurship, often understood as a collective activity across different institutional levels.

But what is the contribution of policy entrepreneurship to the understanding of policy change? More precisely, what types of activity are most likely in different instances of policy change (exogenous or endogenous, radical or gradual, paradigmatic or non-paradigmatic)? In public policy, the crucial problem of entrepreneurship is not its embeddedness in institutions, but rather the capacity to propagate change at the right time, on the one hand, and, on the other, the ability to overcome resistance from actors who benefit from the status quo.

Part of the answer lies in the fact that the technical features and the technologies used to cope with a policy problem may shape the type of actor and the relationships in a given policy subsystem. For example, technical engineering expertise will play a major role in environmental, infrastructure and transport subsystems. In education and social assistance, by contrast, political talents and managerial skills will shape the relationships among actors involved in service provision. In this sense, policy entrepreneurship can take on different characterizations, being bureaucratic, technical, civic and so on. For example, the most important role in water reform is taken by entrepreneurs with expertise in water resource matters (Crow, 2010). Change in water policy is often promoted by collective policy entrepreneurship (e.g., groups of representatives of government agencies at various levels) that disseminates new policy ideas at multiple levels, builds coalitions and uses technical expertise to frame issues, and

also by manipulation of decision-making forums where citizens are present (Meijerink & Huitema, 2010). In the health sector, the reputation of policy entrepreneurs is key to the success of policy change, for change often occurs at the hospital level and involves managerial practices. In this case, mid-level experts acting as entrepreneurs prove to be fundamental in drawing commitment from other actors, especially senior politicians and senior ministry officials, by sending appropriate messages to managers and implementers (Pelletier et al., 2012). The diffusion of change fostered by entrepreneurs may also happen across organizations, because prominent academics, doctors, or even bureaucrats disseminate policy ideas at the transnational level (Nay, 2012).

Policy entrepreneurs may be able to shape the context, the content and the process of change. They may serve to open windows of opportunity, to align institutional networks to join different problems, to formulate common goals and instruments, and ultimately to introduce innovations into the agenda. At the same time, they intervene in the definition of policy content and take into serious consideration the “politics of policy”, namely the enrolling of local policy teams and of regional and national stakeholders. In this way, health policy entrepreneurs may achieve successful change by creating new visions, clarifying the problem(s) repeatedly and adjusting the nature of change during the process to attract potential contributors (Oborn, Barrett, & Exworthy, 2011).

In higher education, transnational policy entrepreneurship can use economic resources to favour lesson drawing and learning at the domestic level (Batory & Lindstrom, 2011). Recently, research has emphasized the ethical aspect of entrepreneurship. At the local level, individual motivations and ethical commitment may prove fundamental for successful anti-corruption policies, because policy entrepreneurs not only perform activities that reduce corrupt practices, but also alter structures that promote illegality, as they raise the overall level of scrutiny, foment uncertainty and increase the potential costs of corruption (Navot & Cohen, 2015, p. 62).

The type and intensity of policy change may also shape the characterization of policy entrepreneurship. To offer an overview of the different ways for agents to overcome resistance to change, policy entrepreneurship can be discussed in relation to the main frameworks of the policy process. While historical institutionalism perceives change in the light of exogenous events, and rational institutionalism confines actors' behaviours to rationality, the sociological tradition of neo-institutional theory

tends to focus on the constitutive features of institutions as stable norms and to understand change as a gradual process linked to the interpretation of the norms. In most accounts of this type, the characteristics of institutions and the political context determine the forms of change and the role of agents therein (Streeck & Thelen, 2005; Mahoney & Thelen, 2010). In this deterministic view, what matters is the fact that a change initiated at one level may affect changes at other levels in the long run (Falleti, 2010). Layering, drift, conversion and displacement are different types of gradual change that result from a complex process of coalition building, and which may be triggered by the interpretation of existing norms, though this ultimately depends on the veto powers in institutions and on the level of political contestation. In this neo-institutional perspective, institutional rules and the political context are the key explanatory factors, while change agents are the “intervening step” of the causal mechanism. Still, none of the intervening change agents is described as a policy entrepreneur (Mahoney & Thelen, 2010, p. 28), though authors may label as entrepreneurs the actors involved in instances of layering and conversion (Shpaizman, Swed, & Pedahzur, 2016).

When scholars focus on the scarcity of attention of policymakers and agenda dynamics, theories such as Kingdon’s multiple stream approach (MSA) and Baumgartner and Jones’s punctuated equilibrium theory (PET) emphasize the importance of timing and framing to account for policy change. In the MSA, the policy entrepreneurs are the actors who actually make the couplings between the streams of policy, problems and politics, using windows of opportunity to match problems with the preferred solution and to convince political leaders to select an innovative policy idea (Kingdon, 1995). MSA scholars have not developed a refined theorization of the role of entrepreneurs in the coupling of the streams, but have described their strategies, especially in an institutional setting that, because of their complexity, show high levels of ambiguity (e.g., the European Union) (Ackrill, Kay, & Zahariadis, 2013). Policy entrepreneurs manipulate institutional rules to cope with ambiguity in multilevel settings and are involved in the framing and reframing of policy problems in order to build stronger coalitions (Zahariadis, 2007). Successful coupling also depends on the ability of policy entrepreneurs to anticipate the opening of a window (Natali, 2004), often looking at regularities in the functioning of institutions and accounting for the timing of elections or appointments (Howlett, 1998). Access to policymakers and resources

allows the persistent entrepreneur to succeed. A more explicit reference to entrepreneurship can be found in PET, which describes periods of abrupt change as the breaking up of a policy monopoly (Baumgartner & Jones, 1993; Prälle, 2003). Policy entrepreneurs who seek to change policy image are involved in two mechanisms that may bring about change. Policy entrepreneurs perform venue shopping and issue framing, as they are able to mobilize opposition to the dominant policy image (Chaqués & Palau, 2009). The task of policy entrepreneurship is eased when the entrepreneur has joint membership in domestic and transnational policy communities and can act as an idea mediator (Bakir, 2009). The radical changes anticipated by PET are thus constructed thanks to the continuous search for new venues and problem definition to break with the prevalent policy image.

Finally, in the advocacy coalition framework (ACF), policy entrepreneurship performed by policy brokers can foster endogenous change, starting again from the framing of ideas among experts, and eventually lead to learning across coalitions (Sabatier & Weible, 2007). Here the main concern is to produce a combination of ideas and interests that are able to change the interpretation of the problem in some parts of the epistemic communities. Moreover, change can be major, when it involves core policy beliefs, or minor when it touches secondary beliefs. This ideational shift may come from exogenous shocks at the macro level, or from a durable process of learning inside epistemic communities. This negotiated agreement path promoted through policy-oriented learning cannot achieve major belief change. Moreover, other structural characteristics of the policy subsystem may influence the type of change, such as the degree of consensus needed for major policy change and the openness of the political systems in a given country. Another interesting point regards analysis of the role of resources in the advocacy coalition: along with formal authority, public opinion, information, supporters to be mobilized and financial resources, skilful leaders acting as policy entrepreneurs are considered a resource because they create an attractive vision, use coalitional resources strategically and attract further resources (Sabatier & Weible, 2007, p. 203). The role of entrepreneurship is nonetheless described only in static terms, as a particular type of self-interested actor seeking innovation in the network of the advocacy coalition, their action being guided by their position in the network (Christopoulos & Ingold, 2015).

#### 4 LIMITATIONS AND POSSIBLE DEVELOPMENTS OF INSTITUTIONAL AND POLICY ENTREPRENEURSHIP

The analysis of entrepreneurship in institutional theory and public policy has shown some similarities in the definition of entrepreneurial activities but also highlights some limitations emerging from this particular understanding of change instances.

As for similarities, the literature review shows that entrepreneurship entails ideational, discursive and coalition-building activities. In institutional entrepreneurship, the paradox of embedded agency emphasizes the importance of crafting visions and alternative views of the past, present and future of institutions, while coalition building remains crucial, but confined by organizational boundaries. In public policy, the importance of conflict and coalition building spread from the consideration of power and resources as means of aggregating ideas and interests. Ideational activities are mostly oriented to the promotion of innovation in policy goals and instruments, while only the ACF and, partly, the MSA acknowledge the importance of the formal position of individual and organizational actors in promoting change. Therefore, *ideas*, *resources* and *coalition building* characterize entrepreneurship in both streams of the literature. Instead, institutional and policy entrepreneurship emphasize different empowering features that make entrepreneurs successful in promoting change: *formal and social position in the field* matters for institutional entrepreneurs, while *access to key policymakers* is essential for policy entrepreneurs.

Nonetheless, both institutional and policy entrepreneurship show certain limitations when it comes to understanding change processes. On the one hand, institutional entrepreneurship undervalues *the interactions inside and outside the institutional field*, not considering the potential for change that emerges not only from misperceptions of existing institutions or from the loosening of taken-for-granted rules but also from windows of opportunity that may activate ideas and resources outside institutions. In this sense, structure overwhelms agency, as most of the enabling conditions for agency depend on the structural features of institutions, such as their heterogeneity or their positioning in the field. Recent studies have considered institutions, not in isolation, but in contact with both the structural context (material and cultural conditions) and other institutions (with their formal and informal rules): these are attempts to link the macroeconomic level with the working of institutions and the situated intervention of agency at the micro-level (Bakir, 2016). In a similar vein,

institutional theory could concentrate on the mutual relationship between structure and agency: looking at how structural conditions impact on individual behaviours, but also considering that a collection of individual behaviours can shape the structure itself in the long run, by promoting reform through a paradigmatic shift or institutional creation. For this reason, institutional theory should concentrate on *the timing of the process of change*, that is, on the sequence of events, in order to understand when institutional entrepreneurship can be effective.

On the other hand, public policy scholars tend to underestimate the role played by context in shaping entrepreneurial behaviours and attitudes (Bakir & Jervis, 2017). A first problem relates to the simple fact that “context” is often loosely defined as a residual category, as a set of environmental conditions that are external to the policy process. More seriously, context seems to correspond to very different things in the theories of policy change: to political and institutional factors in neo-institutionalism, to external shocks in the ACF and to time contingencies in the MSA.

Instead, policy entrepreneurship can introduce institutional theory’s concept of “enabling condition” in order to offer a more refined description of context and its influence on policy change. In other words, enabling conditions, at the individual, institutional or systemic level, can be understood as features of the context that enable innovative ideas and policy instruments to spread, and coalitions to reshuffle around policy solutions. So, the timing of institutional life and focusing events can be seen as strong enabling conditions for entrepreneurship in the MSA. Similarly, in neo-institutionalism, it is the context of institutional rules that enables ideas to spread, while pressures for change may also spread from outside the institutional and domestic level, building coalitions across territorial levels (Falletti, 2010). Finally, in the ACF, the context, understood as the configuration of existing advocacy coalitions, enables ideas and instruments to spread when specific technological features of a given policy subsystem change, thus allowing a shift in the beliefs and the aggregation of interests between coalitions.

Another way of thinking about the enabling conditions for policy entrepreneurship is to distinguish between structural and institutional enabling conditions. Structural enabling conditions are particular macroeconomic or societal trends, or even shocks or radical breaks in the political economy of a specific policy domain, like those introduced by a technological innovation or the affirmation of an economic doctrine or



paradigm. These structural enabling conditions are largely unpredictable but can shape material conditions at the domestic level and interact with the culture, creating unprecedented opportunities for change. Institutional enabling conditions are features of institutions and governance arrangements in a given policy sector, such as the level of institutional fragmentation of political institutions, the level of policy capacity in public administrations (Wu, Ramesh, & Howlett, 2015) or the level of political competition and electoral timing (frequency and competitiveness). These institutional enabling conditions are much more predictable than their structural counterparts, so that policy entrepreneurship can try to manipulate them in order to open windows of opportunity to promote policy instruments.

## 5 CONCLUDING REMARKS

Moving from a description of the features of entrepreneurship in public policy and institutional theory, this chapter has tried to show how these two literatures may complement each other. Institutional entrepreneurs may be more effective in mobilizing allies if they have cross-cutting membership, belong to different coalitions and are willing to exploit windows of opportunity outside a specific institutional field. They may be more successful if they consider conflict and power issues in a more strategic way, anticipating reactions from opponents to divergent changes and making use of different resources to build cross-cutting coalitions of supporters. Finally, they may develop their discursive ability, making explicit links not only with the narratives of the past, present and future, but also with the implications and the symbolic values of the proposed change.

Policy entrepreneurs should acknowledge the structural context in which they are embedded in order to better evaluate the reactions, feasibility and political acceptability of their proposed policy solutions. At the same time, they should invest more attention to crafting discourses that make sense of the vision of the proposed change, using discourse as a diagnostic, prognostic and motivational instrument. Finally, policy entrepreneurs should be more aware of institutional positioning and the contingent situations of different institutional and organizational actors in the policy subsystem, especially when acting from outside institutions. This will help the policy entrepreneur to be strategic, starting from the consideration of the enabling conditions for successful entrepreneurship (e.g., the incidence of jolts and crises affecting the political economy of the policy sub-

system, the degree of actors’ institutional fragmentation, the degree of uncertainty and ambiguity and the centrality or peripherality of the control of resources).

Table 2.1 synthesizes the main points of this discussion, highlighting different types of entrepreneurship as agency and showing examples of empowering features and enabling and empowering conditions. Essentially, entrepreneurship involves the risk of investing resources in hope of future returns. Away from heroic accounts of entrepreneurial agents, the literature in institutional theory and public policy allows one to place such risky investments in a policy perspective rooted in political and bureaucratic institutions.

This perspective emphasizes two aspects of entrepreneurship in policy change: the importance of ideas and policy instruments, on the one hand, and the importance of resources on the other. In the complex environment of problem-solving processes, the adaptation of specific policy ideas and solutions to existing interests is the key to building coalitions in support of

**Table 2.1** Features of different types of entrepreneurship

	<i>Economic entrepreneurship</i>	<i>Political entrepreneurship</i>	<i>Institutional entrepreneurship</i>	<i>Policy entrepreneurship</i>
<i>Domain of action</i>	Market	Elections	Institutional field	Policy subsystem
<i>Target of action</i>	Consumer	Voter	Taken-for-granted rules	Policy instruments and goals
<i>Final goal</i>	Gain profit	Increase electoral support	Break with existing rules	Sell policy solutions for problem-solving
<i>Main activities</i>	Investments, marketing, use of resources	Creation of electoral constituencies	Interpretation of existing rules, creating narratives, use of resources	Adaptation of policy solutions, coalition building, use of resources
<i>Empowering features</i>	Capital, risk propensity	Partisan affiliation	Formal and social position	Access to key policymakers
<i>Enabling conditions</i>	Unsatisfied demand	Electoral volatility	Crisis, institutional heterogeneity, multiple affiliations	Crisis, political situation and national mood, heterogeneity, institutional and electoral timing

a break with the status quo. More empirical research is needed to clarify contextual features that are able to affect entrepreneurial behaviour. Attention to policy ideas and instruments distinguishes entrepreneurs, who strive to promote innovation, from other purposeful agency functions in the policy process, such as leadership and brokerage.

## NOTES

1. The literature review is based on a selection made by the author of the most-cited articles on institutional entrepreneurship and policy entrepreneurship on Google Scholar and the Thomson Reuters ISI database. It is not a systematic review of all the existing literature on the subjects, but a selection of the most-referenced work.
2. I thank Caner Bakir for this distinction.

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# Institutional Change Through Institutionalization: Combining Different Approaches

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## I INTRODUCTION

This chapter aims to contribute to the emerging literature that calls for a bridging of the variants of institutional theory and public policy theory (Bakir, 2009, 2013, Chaps. 2 and 4, 2016) by focusing on historical institutionalism in the political science literature (Mahoney and Thelen, 2010) and organizational institutionalism in the management literature (Lawrence and Suddaby, 2006) with special reference to different processes of institutional change (Mahoney and Thelen, 2010) through the institutionalization conducted in different ways by actors (Lawrence and Suddaby, 2006). Therefore, it is important to note that in this chapter we present a discussion of institutional change by debating the types of

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institutionalization, and the role of institutional actors in this process, and conclude with a suggestion for an analytical model and a brief initial research agenda. This analytical model is based on the proposal presented by Mahoney and Thelen (2010), and includes the contribution of Lawrence and Suddaby (2006)—specifically, furthering their argument about the type of dominant change agent and how they seek to reconcile elements of agency and context in the analysis of institutional change dynamics. The framework is based on the interconnection between the institutional work and gradual institutional change approaches. Both were developed as alternatives to theoretical perspectives that put too much emphasis on social structure (e.g., path dependence theory) or human agency (e.g., institutional entrepreneurship).

During the 1980s, institutional theory was applied to explain organizational homogeneity (DiMaggio and Powell, 1983). While this is a recognized contribution to organizational studies, with emphasis on the importance of the environment in which organizations are embedded, and the isomorphism explanation observed between organizations subject to similar institutional pressures, such studies have not effectively addressed our understanding of institutional change. The concept of the institution used in these studies is extremely broad and may include formal (laws, rules and other procedural procedures) and informal rules related to wider codes of conduct, habits and conventions. But institutions can also be seen as actors that define and defend interests. In any event, neo-institutionalists tend to emphasize the broader character of institutions compared to organizations (North, 1991) and argue that institutions understand the rules of the game in their society or, more formally, are the constraints that shape human interaction conceived by human beings (North, 1991).

Thelen and Steinmo (1992) pointed out that institutions must be understood through two main functions: their agents and the history of their products. This is because they form and restrict the activities of political actors, but also the results of conscious strategies or involuntary developed by the actors. Thelen and Steinmo, theoreticians of the historical aspect of neo-institutionalism, observe the limits of the explanations for actors' behaviour given by the institutionalism of rational choice. While recognizing the strategic action of individuals and groups, they highlight the need for a historical analysis to present the institutional context in which preferences are shaped and privileged (Thelen and Steinmo, 1992).

Actors' preferences are therefore constructed endogenously, by the social and institutional context in which the interactions are established.



Analyses are conducted inductively, proposals formulated out of the interpretation of the empirical material (Thelen and Steinmo, 1992). Historical surveys show that previous results establish parameters for subsequent events (Skocpol, 1995). Studies in this current highlight the concept of path dependence, which relates to the idea that past events can give rise to a chain of determinations that influence policy decisions (Thelen and Steinmo, 1992). Therefore, historical institutionalism includes formal and informal rules regarding the definition of institutions and procedures that structure behaviour (Thelen and Steinmo, 1992). For conceptual purposes, historical institutionalism also allows the definition of the institution as a set of formal rules, procedural mechanisms that observe those rules and standard operating practices that structure the relationships between individuals. These institutions determine the way in which different political actors define their interests, goals and relations of power in relation to each other, as well as the distribution of resources.

## 2 INSTITUTIONALIZATION PROCESSES

Thelen (2003) proposed a systematic theory of institutional change, one of whose most important aspects is the critique of the punctuated equilibrium model of institutional change. Developed by True, Jones, and Baumgartner (1999), this model shows that public policy processes are characterized by periods of “balance” which are “punctuated” by periods of change, when a certain topic can gain space on the government’s calendar and is, therefore, no longer restricted to discussions and the interference of actors who belong exclusively to a subsystem. Thus, the model of the punctuated equilibrium proposes the existence of critical moments that interrupt institutional inertia and cause radical changes.

These critical moments derive mainly from exogenous shocks and, therefore, are generated by processes whose dynamics are external to specific public policy subsystems. The proposal that institutions are path-dependent and the process of institutional change is a result of critical moments achieved wide acceptance and became a dominant approach within neo-institutionalist perspectives, especially among the so-called “historical neo-institutionalists”.

However, over the years, several criticisms of this perspective have arisen. For example, without rejecting the concept of critical junctures and path dependency, Thelen (2003) argued that most forms of institutional change occur in the absence of critical moments and that, in many contexts,

**Table 3.1** Types of institutional change: Processes and results

		<i>Result of change</i>	
		<i>Continuity</i>	<i>Discontinuity</i>
Process of Change	Incremental	Reproduction by adaptation	Gradual transformation
	Abrupt	Survival and return	Breakdown and replacement

Source: Streeck and Thelen (2005, p. 9).

the endogenous (internal) mechanisms of change are more influential than exogenous shocks. This means that, to understand institutional dynamics, social scientists should pay more attention to processes of change that occur during long episodes of relative political or organizational stability (Thelen, 2003). Streeck and Thelen (2005) specified four categories of such processes of change, proposing a taxonomy of incremental and abrupt processes that result in the continuation or discontinuation of institutions. Table 3.1 summarizes these processes.

The traditional model of punctuated equilibrium is represented by a combination of abrupt change and discontinuity which results in disruption and replacement. In addition, there are three possible combinations of other institutional dynamics. For example, reproduction by adaptation can result from incremental change with continuity. The possibility of the two other types of institutional dynamic, not adequately provided for Skocpol (1995), for example, is an extremely important contribution. The first dynamic is incremental changes that can cause gradual changes in institutions, which generates a “gradual transformation” (Mahoney and Thelen, 2010). This situation can arise because changes do not always occur in institutional compositions but, rather, through intentions or actions formed by institutions. The second dynamic is called “abrupt change”, but the effect is generally on the maintenance of existing institutions through strategies of survival or return.

Thelen (2003) proposed an investigation of how institutions are renegotiated periodically and internally without drastic change—this is called “gradual transformation” (p. 213). Thelen (2003, p. 226) used two concepts: institutional stratification (the partial renegotiation of some elements of a given set of institutions, while leaving the others in place) and conversion (when existing institutions are redirected to new purposes, driving changes in the role they perform or the function they serve).

How then should we conceptualize this kind of gradual change within a process of continuity? Thelen (2003) identified two steps. First, her research provides explanations of agency together with the explanations of structure. In fact, the concept of agency has a primary role in institutional theory. Agency can be conceptualized as the ability to have an effect, or to interfere in events, without intentionality as a prerequisite. In other words, agency incorporates intentional and unintentional actions.

The agency structure debate is concerned more specifically with the relationships between actors or agents (either individual or collective, but most often the former) and social structures. In fact, this debate is primarily concerned with the link between purposive behaviour—the defining characteristic of agents or actors—and social structures on any level of social analysis.

Thelen (2003), however, stressed that agents do not build institutional solutions in the form that they want. Rather, the problems they face and their perception of what is possible are shaped by the contours of the institutional and policy landscape in which they are located. Thelen emphasizes, then, that this context constrains agents by providing them with a variety of options that they are obliged to offer. Changes over time in the conditions in which agents act may also render impossible strategies and goals which had previously been much favoured by players.

However, the relationship between agency and structure for Thelen (2003) does not end there. Agents and structure are distinct and usually precede the formation of the structure which influences the formation agent. The structure imposes restrictions on certain types of action while simultaneously allowing others. For Thelen, structure does not necessarily determine the way in which agents will act because they engage in “politics” with competitors or other interested actors. The strategies and commitment to which this policy refers invariably alter the results desired by any individual actor.

Thelen (2003) was also interested in the possible association between the treatment of the structure and agency, emphasizing role and deferring to the power structure on the scope of the possibilities facing actors. However, since actors create a new arrangement, this new structure clearly defines their interests and the possibilities for action open to them. But the structure of independent agents’ privilege is not the only way to conceive this relationship. It is also possible to think about agents’ and structure’s connection evolving simultaneously in the action process. To do this, it must be understood that the imperatives imposed by structural design are

ambiguous and the interests and identities of actors ill-defined and pliable, existing in a flow of communicative exchanges between rival actors regarding possibilities of action and desired ends (Thelen, 2003).

Streeck and Thelen (2005) outline five types of gradual institutional transformation: displacement, layering, drift, conversion and exhaustion. They consider displacement to be revealed through the “new” sociological institutionalism in its current form, as new models emerge and spread, challenging the existence of forms and organizational practices already taken for granted (Streeck and Thelen, 2005, p. 19). Indeed, Streeck and Thelen (2005) emphasize that pre-existing institutional structures in each society are not completely consistent, so settings are vulnerable to change through displacement, as traditional packaging is discredited and driven off in favour of new institutions and associated behavioural logics.

Streeck and Thelen (2005) consider layering transformation as moving paths changed by a given dynamic through a mechanism called “differential growth”. Thus, they argue that the introduction of new elements unleashes a dynamic that, over time, can actively expel or supplant older systems, since the domain of the latter gradually recedes from the first. For Streeck and Thelen (2005), the most important question is the extent to which the margin (or new systems) and core (or legacy systems) can coexist peacefully, or whether the institution can attract enough “defectors” from the nucleus to eventually replace it.

The concept of drift is based on the fact that institutional constancy is never automatic, although the term “institution” has connotations of stability and grip (Streeck and Thelen, 2005). Thus, institutions require active maintenance. To remain what they are, institutions need to be replaced and redirected; in some cases, they need to be reassessed and renegotiated in response to changes in the political and economic environment in which they are embedded (Streeck and Thelen, 2005). If this maintenance is deliberately denied, the institution may not survive.

Streeck and Thelen (2005) point out that conversion is a different form of institutional change to layering and drift. In this type of institutional change, institutions are not very disfigured or allowed to decay as they are redirected to new goals, roles or scopes. This redirection can occur through new environmental challenges, changes in power relations and political disputes about the functions and purposes that a given institution should serve.

The last type of institutional change effected through the gradual transformations described by Streeck and Thelen (2005) is exhaustion. In this case, they stress that the process necessarily leads to gradual institutional breakdown. The authors present the concept of institutional exhaustion as a process in which evoked behaviours or behaviours permitted by existing rules weaken them. Table 3.2 summarizes these types of institutional change.

In a recent study, Mahoney and Thelen (2010) presented a basic model to explain different forms of institutional change. The model in question is shown below in Fig. 3.1.

The theoretical concept of Mahoney and Thelen (2010) argues that both features of the political context and the institution in question lead to an expected type of institutional change (connection “I”). This happens, according to Mahoney and Thelen (2010), due to the influence of the institutional and political context on the dominant type of change agent (connection “III”), which will emerge and develop within a specific institutional context (connection “II”).

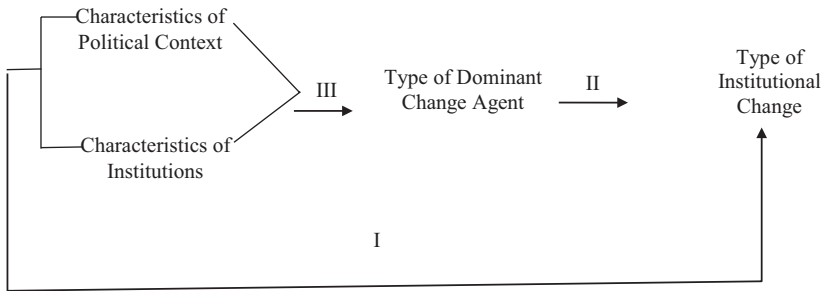
Mahoney and Thelen (2010) also proposed a theory of gradual institutional change developed from previous reflections (Streeck and Thelen, 2005; Thelen, 2003). They offered the criticism that most scholars in the field have focused on the consequences of exogenous shocks, which provide some basic institutional reconfigurations, and have neglected changes that are based on endogenous development, which often unfold incrementally. Mahoney and Thelen (2010) outline four formal types of gradual institutional change: displacement, layering, drift and conversion. Each type is defined by the point at which institutional transformation occurs. Understanding these different types of institutional change, including the roles that institutions and their advocates play, allows analysis of how and why one type may occur more frequently than others. We notice that exhaustion, although recognized by Streeck and Thelen (2005), is not included in this proposal. Indeed, Mahoney and Thelen (2010) demonstrate theoretical progress from Thelen’s work with Streeck (Streeck and Thelen, 2005), with the characterization of the categories and their relationship to the type of agent presented in Table 3.3 and discussed below.

The proposed theory also highlights the different types of change agent, whose differentiated strategies (insurrectionaries, symbionts, subversives and opportunist) develop in specific institutional settings (Mahoney and Thelen, 2010). Insurgent agents deliberately seek to eliminate institutions

**Table 3.2** Institutional change: Five types of gradual transformation

	<i>Definition</i>	<i>Mechanism</i>	<i>Elaboration</i>
Displacement	Slowly increasing salience of subordinate relative to dominant institutions	Defection	<ul style="list-style-type: none"> <li>• Institutional incoherence opening space for deviant behaviour</li> <li>• Active cultivation of a new “logic” of action inside an existing institutional setting</li> </ul>
Layering	New elements attached to existing institutions gradually change their status and structure	Differential growth	<ul style="list-style-type: none"> <li>• Rediscovery and activation of dormant or latent institutional resources</li> <li>• “Invasion” and assimilation of foreign practices</li> <li>• Faster growth of new institutions created on the fringes of old ones</li> <li>• New fringe eats into old core</li> <li>• New institutional layer siphons off support for old layer</li> <li>• Presumed “fix” destabilizes existing institutions</li> <li>• Compromise between old and new slowly becomes defeat of the old</li> <li>• Change in institutional outcomes effected by (strategic) neglect of adaptation to changing circumstances</li> </ul>
Drift	Neglect of institutional maintenance despite external change resulting in slippage in institutional practice on the ground	Deliberate neglect	<ul style="list-style-type: none"> <li>• Enactment of institution changed, not by reform of rules, but by rules remaining unchanged in the face of evolving external conditions</li> </ul>
Conversion	Redevelopment of old institutions to new purposes, new purposes attached to old structures	Redirection, reinterpretation	<ul style="list-style-type: none"> <li>• Gaps between rules and enactment due to: <ul style="list-style-type: none"> <li>– Lack of foresight: limits to (unintended consequences of) institutional design</li> <li>– Intended ambiguity of institutional rules: institutions are compromises</li> <li>– Subversion: rules reinterpreted from below</li> <li>– Time: changing contextual conditions and coalitions open space for redeployment</li> </ul> </li> </ul>
Exhaustion	Gradual breakdown (withering away) of institutions over time	Depletion	<ul style="list-style-type: none"> <li>• Self-consumption: the normal working of an institution undermines its external preconditions</li> <li>• Decreasing returns: generalization changes cost-benefit relations</li> <li>• Overextension: limits to growth</li> </ul>

Source: Streeck and Thelen (2005, p. 31).



**Fig. 3.1** Framework for explaining modes of institutional change. Source: Mahoney and Thelen (2010, p. 15).

or rules, and intentionally act in a way that is visible to everyone. Symbiotic agents come in two varieties—parasitic and mutualistic. Both depend on (and thrive in) institutions that are not of their own making. While parasitic symbiotic agents exploit an institution with a view to personal gain despite hindering the effectiveness of the institution, the actions of mutualistic symbionts do not compromise the efficiency of the rules or the survival of the institution. This is because the latter, according to Mahoney and Thelen (2010), disobey the rules to support and sustain your sense, unlike parasitic symbionts, who exploit the rules while transgressing their consciousness.

Subversive agents are those who seek to replace institutions, but they do so without breaking the rules of the institution in question. Rather, they effectively conceal their preference for institutional change, following institutional expectations and working within the system. They wait for the right moment to move openly towards a posture of opposition.

Finally, opportunistic agents are those who have ambiguous preferences about institutional continuity. Table 3.3 shows this feature clearly. However, opposition to an institution has a cost because opportunistic agents do not try to change the rules. The intended action is to take advantage of all the possibilities offered by the dominant system to achieve their goals. Mahoney and Thelen (2010) demonstrate the differences between these four types of change agent by means of two basic questions: (1) does the actor seek to preserve the existing institutional rules? and, (2) does the actor follow institutional rules? Table 3.3 shows the behaviour of each type of actor. Mahoney and Thelen (2010) conclude that there is

**Table 3.3** Types of change agent

	<i>Seeks to preserve institution</i>	<i>Follows rules of institution</i>
Insurrectionaries	No	No
Symbionts	Yes	No
Subversives	No	Yes
Opportunists	Yes/No	Yes/No

Source: Mahoney and Thelen (2010, p. 23).

extensive research potential, through new concepts and proposals of causal assumptions.

### 3 ROLE OF AGENCY

This section considers the role of actors in the production, processing, maintenance and breakdown of institutions. To do so, Lawrence and Suddaby's (2006) concept of "institutional work" (institutional action) is introduced.

The prevailing institutional approach in organizational studies focuses predominantly on the relationship between organizations and the organizational field, privileging the study of influence and control exerted by social institutions on the organizational practices and the functioning of organizations. The concept of institutional work proposes a new strand of analysis, taking as its primary focus the understanding of how action influences social and institutional structures. In this sense, it aims to understand the work developed by individuals, groups and organizations to promote the creation, maintenance and dismantling institutions (Lawrence, Suddaby, and Leca, 2009).

The proposed concept of institutional work includes an analytical framework to connect and combine, from theoretical singular scheme, several studies carried out in an integrated approach. For this, this proposal encompasses three major institutional work blocks, requiring that researchers focus on the actions involved in the creation of new institutions, practices designed to maintain existing institutions or even the activities of certain actors aimed at dismantling existing institutions. Accordingly, institutional work gathers and lists previous efforts from the integrator's perspective, as well as promoting future studies based on comprehensive analysis of structure (Lawrence and Suddaby, 2006).



Lawrence and Suddaby (2006, pp. 221–238) analyzed 15 years of empirical research published in three journals and identified 18 distinct sets of institutional work to create, maintain and dismantle institutions.<sup>1</sup> They found that institutional rearing practices are the best documented in research associated with institutional entrepreneurship, and there are few records that demonstrate the work done by the actors to dismantle institutions. In each of the three categories, forms of institutional work were related to elements that provide institutional support, derived from Scott (2008) and can get along with practices to cognitive, normative aspects or regulative institutions.

Subsequently, Canadian researchers focused on how organizations and institutions change. Their work relates to the previous section because it allows a comparison with the theory of institutional change (Mahoney and Thelen, 2010), as well as the types of change agent described in Table 3.3.

Recently, institutional studies focused on understanding the role of actors in the preparation, processing and maintenance of institutions have come to prominence in the literature (Lawrence and Suddaby, 2006; Mahoney and Thelen, 2010; Oliver, 1991, 1992). DiMaggio (1988), however, examined the role of actors in the creation of new institutions primarily within institutional entrepreneurship. DiMaggio calls attention to the importance of the renewal of the concepts of power and interest with a view to understanding institutions, especially the processing and creation of new institutions. From this framework emerged research on institutional change caused by the activity of institutional entrepreneurs, as noted by Leca, Battilana, and Boxenbaum (2008).

According to Lawrence and Suddaby (2006, p. 215), the concept of institutional entrepreneurship is important because it draws attention to three groups of research. First, stakeholders act to influence institutional contexts through, for example, strategies involving technological and market leadership, campaigning for changes in regulation and discursive actions. Another group of studies that stand out within the institutional research focuses on actors' roles in the transformation of pre-existing institutions. Lawrence and Suddaby (2006) highlight the conduct of organizational actors' skills (particularly those who hold strategic resources or other forms of power), which have a significant impact on the transformation of institutions. A third group of studies considered by Lawrence and Suddaby (2006) analyses the role of actors in maintaining institutions. Despite the classical argument that they are lasting (Meyer and Rowan,

1991), institutions depend on the action of individuals and organizations for their maintenance over time (Berger and Luckmann, 1966).

Indeed, the intention of Lawrence and Suddaby (2006) in drawing attention to research on the role of actors was to propose the concept of institutional work to describe the intentional actions of individuals and organizations with the goal of creating, maintaining and disposing of institutions. For them, the contribution of DiMaggio (1988) and Oliver (1991, 1992) are fundamental theoretical components that signal the change in the interest of institutionalist researchers about the impact of individual and collective actors to institutions. Other authors, on the other hand, are inspired by studies of the sociology of practice, which focuses on the localized action of individuals and groups and how they try to respond to the demands of everyday life (Lawrence and Suddaby, 2006).

Lawrence and Suddaby (2006) suggest an approach to the study and understanding of action (or institutional work) based on three key elements: the knowledge, skill and reflexivity of individual and collective actors; the more or less conscious action of these actors; and the set of practices through which actors create and maintain institutions and through which institutions crumble. Based on an extensive literature review, they identified the different sets of practices through which actors are responsible for actions that result in the creation, maintenance and dismantling of institutions, as shown below.

Creation actions reflect three broad categories of activities: the notorious political action, in which actors reconstruct rules, property rights and limits that define access to material resources; actions that emphasize the reconfiguration of actors' belief system; and actions designed to change abstract categorizations, by which the limits of meaning systems are changed. Table 3.4 presents the forms of institutional action associated with the creation of institutions.

Since the concept of institutional action highlights actors' effort and ingenious practices, Lawrence and Suddaby (2006) give three suggestions for research on the creation of institutions. The first relates to the ability to establish rules, rewards and sanctions which preserve these rules. According to Lawrence and Suddaby (2006), only a few actors in each field of analysis have pointed out this ability; in some situations, this role is restricted to the state or its representative as a professional body. The second suggestion is to research institutional action that focuses on changing norms and belief systems, associated with the establishment of standards, institutionalized practices and technologies that pair or complement

**Table 3.4** Creating institutions

<i>Forms of institutional work</i>	<i>Definition</i>
Advocacy	The mobilization of political and regulatory support through direct and deliberate techniques of social persuasion
Defining	The construction of rule systems that confer <i>status</i> or identity, define boundaries of membership or create status hierarchies within a field
Vesting	The creation of rule structures that confer property rights
Constructing identities	Defining the relationship between an actor and the field in which that actor operates
Changing normative associations	Remaking the connections between sets of practice and the moral and cultural foundations for those practices
Constructing normative networks	Constructing interorganizational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance, monitoring and evaluation
Mimicry	Associating new practices with existing sets of taken-for-granted practices, technologies and rules to ease adoption
Theorizing	The development and specification of abstract categories and the elaboration of chains of cause and effect
Educating	The education of actors in the skills and knowledge necessary to support the new institution

Source: Adapted from Lawrence and Suddaby (2006, p. 221).

existing institutions. According to Lawrence and Suddaby (2006), this type of regulatory action is based on cultural and moral strength, which are embedded in community practices. Finally, the third research proposal concerns the change of meaning of abstract categories, and focuses on structures and actors in the field of analysis that are isolated and peripheral, but have great potential for the development of institutional action.

The question of the maintenance of institutions has received less attention than their creation, as described above, according to Lawrence and Suddaby (2006, p. 229). Commonly, institutional actions intended to maintain institutions imply support, repair or rebuilding of social mechanisms to ensure their effectiveness. Lawrence and Suddaby (2006) identify six types of institutional action dedicated to maintaining institutions. These are divided into two categories of intention: first, the maintenance of institutions by ensuring adherence to the system of values appreciated

**Table 3.5** Maintaining institutions

<i>Forms of institutional work</i>	<i>Definition</i>
Enabling work	The creation of rules that facilitate, supplement and support institutions, such as the creation of authorizing agents or the diversion of resources
Policing	Ensuring compliance through enforcement, auditing and monitoring
Detering	Establishing coercive barriers to institutional change
Valorizing and demonizing	Providing for public consumption positive and negative examples that illustrate the normative foundations of an institution
Mythologizing	Preserving the normative underpinnings of an institution by creating and sustaining myths regarding its history
Embedding and routinizing	Actively infusing the normative foundations of an institution into participants' day-to-day routines and organizational practices

Source: Adapted from Lawrence and Suddaby (2006, p. 230)

by actors; and, second, the maintenance of institutions by reproducing existing norms and belief systems (see Table 3.5). Lawrence and Suddaby (2006, p. 234) highlight the importance of studying the ways in which institutions reproduce (and survive). They even note that perhaps this is more important for institutional research than the creation of institutions and present research strategies:

- Several institutional shares used for the maintenance of institutions can be ordered on a continuum of “responsiveness”: the action used to maintain rule systems (qualification, policing and deterrence) is distinguished by a high degree of understanding; at the other end of the spectrum, the maintenance of institutions by playing standards and belief systems (recovery and demonization, mythologizing, and incorporation and routinization) is usually less comprehensible;
- The maintenance of institutions cannot be explained as a simple lack of stability or change. Institutions that maintain institutional action invest considerable effort, often because of a change in the organization or its environment.

Thus, Lawrence and Suddaby (2006) argue, to investigate how institutions are maintained, it is necessary to focus on understanding how actors can pursue persistence and stability in a context of upheaval and change.

Institutional action that aims to disrupt institutions operates to criticized or to weaken the mechanisms that drive members to respond to them. Lawrence and Suddaby (2006) note that the investigation of institutional actions to undo institutions is uncommon in the literature. Table 3.6 presents the forms of institutional action that aim to undo (or disassemble) institutions identified by Lawrence and Suddaby (2006). They note that these studies focus mainly on the relationship between an institution and the social controls that perpetuate it; for example, the forms of institutional action described in Table 3.6 reduce the impact of these social controls on actors' non-compliance. In addition, Lawrence and Suddaby (2006) claim that this category only represents a small subset of potential strategies available to actors, both individual and collective, who intend to disrupt institutions.

However, Lawrence and Suddaby (2006) note two possible ways to investigate such institutional action: the relative influence of institutional pressures on different types of actor, and the activities which these actors undertake to disrupt institutionalized structures. In the first case, they certify that institutional pressures are less "totalitarian" than the literature states for some actors and in some contexts. For example, the ability to disconnect rewards and sanctions from behaviour is more directly related to the state and the judiciary, and those professions and elites who possess the intellectual and financial resources to protect them from the state's and the judiciary's attempts to constrain them. That is, this question suggests a path of investigation into why and how these actors gain such immunity.

In their second observation, Lawrence and Suddaby (2006) comment that the activities of these actors striving to undo institutionalized

**Table 3.6** Disrupting institutions

<i>Forms of institutional work</i>	<i>Definition</i>
Disconnecting sanctions	Working through state apparatus to disconnect rewards and sanctions from sets of practices, technologies or rules
Disassociating moral foundations	Disassociating practice, rule or technology from its moral foundation as appropriate within a specific cultural context
Undermining assumptions and beliefs	Reducing the perceived risks of innovation and differentiation by undermining core assumptions and beliefs

Source: Adapted from Lawrence and Suddaby (2006, p. 235).

structures are largely discursive, and related to the contours of institutional action. These limits, they say, can be social or symbolic. Social limits are economic, physical and political boundaries. Symbolic limits include moral, socioeconomic and cultural boundaries. Lawrence and Suddaby (2006) state that individual and collective actors undo institutions by redefining them, through “re-categorization”, rewriting, abstraction, questioning and generally manipulating the social and symbolic boundaries that constitute them.

We thus observe considerable potential to contribute to the development of institutional research in the taxonomy of institutional actions developed by Lawrence and Suddaby (2006). They also suggest possible lines of research, for example, analysis of the concept of diffusion. They consider the idea of diffusion to be central to institutional theory:

The pattern of events and relationships among them that define the process of institutionalization involves an object first being recognized, then accepted by relatively few actors, and then widely diffused and broadly accepted within a field [...] For many years, an archetypal form of institutional research has been based on this model, examining the diffusion of some organizational structure or practice, and attempting to explain the factors that led organizations to take on that structure or practice. (Lawrence & Suddaby, 2006, p. 247)

In another instance, Lawrence, Suddaby, and Leca (2011) draw attention to an issue overlooked during the development of institutional theory: the lived experience of organizational actors, especially the connection between this lived experience and the institutions which structure and are structured by it. In fact, Lawrence et al. (2011) seek to stress the point at which institutional action departs from traditional concerns of the institutional approach. This point of departure represents the rejection of the perspective of institutional action, the notion that only activities of interest are associated with instances of “successful” institutional change. Lawrence et al. (2011) emphasize, then, that countless mistakes and routine activities, “Although aimed at affecting the institutional order, represent a complex *mélange* of forms of agency—successful or not, simultaneously radical and conservative, strategic and emotional, full of compromises, and rife with unintended consequences” (p. 52). Thus, they suggest as a starting point for the study of institutional action analysis of action the efforts of individual and collective actors to face, escort, support, demolish, move,

modify or create the institutional structures in which they live, work and play, and which offer them their roles, relationships, resources and routines.

In summary, the concept of institutional work stimulates researchers to adopt different points of view by changing their broader perception of social transformations. The perspective of institutional work thus emphasizes the practice and the process rather than the consequences; that is, it asks why and how, and not necessarily what and when.

The discussion so far has specified approaches to gradual institutional change that value the relationships between actors and the fields in which they work, highlighting the role of formal rational structures and the role of these actors' behaviour. Indeed, a key contribution of these approaches has been the development of the analysis of the influences on the processes by which institutions—supposedly—govern a given action in organizations. Thus, the goal here is to discuss a different point of view from traditional institutional studies of organizations. The concept of institutional work presented by Lawrence and Suddaby (2006) is notable. It has five types of gradual institutional change (Streeck and Thelen, 2005) and the theory of gradual institutional change (Mahoney and Thelen, 2010) demonstrates a significant reorientation of institutional theory, since they value the active role of actors—individual and collective—in the creation, maintenance and disruption of institutions.

Examining the models of institutional change proposed by Lawrence and Suddaby (2006), Streeck and Thelen (2005) and Mahoney and Thelen (2010), we can perceive important points that deserve more rigorous analysis. Lawrence and Suddaby (2006) advance Oliver's (1991, 1992) ideas for new categories for the model of institutional change, but they do not establish possible causal relationships between institutional actions described and the context from which they could emerge. Streeck and Thelen (2005) and Mahoney and Thelen (2010) developed a model (Fig. 3.1) which does specify a causal relationship. However, they only considered the political context, not the social or functional contexts. Nor do they account for the strategic actions of actors (Lawrence and Suddaby, 2006). The research proposal that emerges is an investigation of the conduct of the main actors responsible for actions against the possible creation, development and disruption of institutions.

Figure 3.2 shows the conceptual contributions of Lawrence and Suddaby (2006) to the original model proposed by Mahoney and Thelen (2010), shown in Fig. 3.1. This addition is proposed because of the limitations of

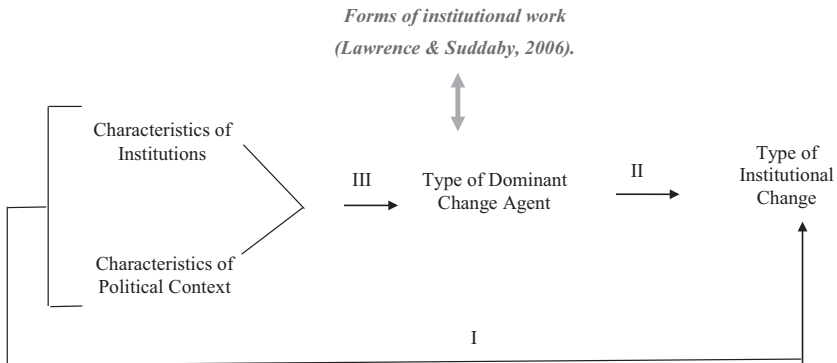


Fig. 3.2 A summary

the model. The bidirectional arrow relates the dominant change agent (Mahoney and Thelen, 2010) to the institutional forms of these agents' action (Lawrence and Suddaby, 2006). These forms are explained by the possibility that institutional actions revealed the types of agent described by Mahoney and Thelen (2010, p. 23). In other words, it helps to understand who is doing what.

But what types of institutional change might occur in a given sector, area, agency or public enterprise? The answer to this question will contribute to the theories of institutional change and will clarify the role played by actors throughout the processes and mechanisms employed in the creation, maintenance and breakdown of institutions.

#### 4 CONCLUSIONS AND PROPOSITIONS DRAWN FROM THE ANALYTICAL MODEL SUGGESTED

In encouraging a conversation between the approaches of institutional work and the theory of gradual change, we had the objective of identifying the mutual contributions that could arise from these two attempts to understand the dynamics of maintenance and institutional change.

The literature on institutional work recognizes the existence of mutual influence between actors and institutions, but recommends focus on actors' efforts to create, maintain and dismantle institutions. On the other hand, the theory of gradual change is associated with the more traditional view of neo-institutionalism, which points out that actors' action is directly



related to the characteristics of the institutions and the political context in which they are immersed. Furthermore, actors' connection in both proposals indicates the need for global understanding of the process and balance in consideration of the potential causality exercised by structural elements and action, when, for example, the explanation of maintenance processes and institutional change is required.

From the foregoing, it is clear that the contributions that the institutional work perspective can receive this closer relationship with the elements of the theoretical construction of the gradual change. This proposal are related to a greater understanding of the relationship between the contextual elements, the categories of social actors and the types of effort involved in the institutional work developed by Lawrence and Suddaby (2006).

In turn, the approach of gradual change can benefit from the introduction of the perspective of institutional work, to the extent that it allows: flexibilization assumption, according to which the type of actor emerging depends on the institutional context, and the development of a proactive view of whether actors develop institutional work alone or in combination with other stakeholders, to transform the same institutional environment. Or, as Lawrence, Suddaby, and Leca (2009) comment:

The institutional perspective has brought to organization theory a sophisticated understanding of symbols and language, of myths and ceremony, of decoupling, of the interplay of social and cognitive processes, of the impact of organizational fields, of the potential for individuals and groups to shape their environments, and of the processes through which those environments shape individual and collective behavior and belief. (p. 2)

As a suggestion for future studies, we note the possibility of developing hypotheses and systematic analytical frameworks from the conversation between the two perspectives presented here. In addition, it is recommended that a series of studies be conducted to advance understanding of the relationship between the forms of institutional work, institutional contexts and natures of social actors. Finally, we note the urgent need for empirical verification of the categories and relationships presented, since the literature still lacks this type of analysis.

We identify four areas for future research emerging from our review. First, change agents called "insurrectionaries" seek rapid displacement, but may agree to a gradual action to the same effect. Therefore, they may

choose tactics of institutional action with the objective to disrupt institutions. They work against the *status quo*, directly attacking and threatening to destroy it. If successful, pre-existing arrangements are fully replaced. Second, symbiotic change agents seek to preserve the institutional *status quo* by maintaining institutions. However, they may undertake actions that could result in the disruption of institutions, undermining the arrangements of the *status quo*, even if these arrangements threaten their very survival, or when change is effected via sliding. On the other hand, these same change agents can survive in the long term if their “host” system provides an environment able to absorb their degenerative behaviours without collapsing or eliminating them through typical institutional maintenance actions. Third, subversive change agents are often innovators who seek to transform the *status quo* without overturning existing rules and structures, using institutional action creation for both, rules and structures. They can act through displacement, but in the short term often work through a type of change called “layering”. In this type of change, subversive change agents work quietly against the *status quo* but never break the rules in place. Fourth, in a condition of gradual change called “conversion”, opportunistic change agents may slowly change institutions by altering the way in which they are approved and their actions are carried out in practice (although the formal rules remain the same). To this end, they may practice the tactics of institutional action designated as maintenance. However, as shown in Table 3.3, these change agents engage in dubious conduct when both preserving and obeying the rules of a given institution. Thus, it is also acceptable to suggest that these agents may both create and disrupt institutions.

In addition to these initial theoretical propositions, the proposed analytical model can also be used to study the public sector by analysing the characteristics of the political context and the institution in question. Both variables will lead, as in Fig. 3.2, to a type of expected institutional change. For example, one can reflect on how public organizations react to a proposed institutional change and identify the underlying mechanisms and, especially, the role of actors in the process (Lawrence and Suddaby, 2006). The institutional changes in public policy regarding democratization are also possible items for a future research agenda. In this situation, the initial questions would be: What behaviour of change agents is identified within the process? What kind of institutional change did this conduct lead to? Can these propositions be confirmed or refuted?

## NOTE

1. The authors examined empirical institutional research with the objective of offering an overview of what is understood about institutional work, and what is not, through bibliometric research of empirical papers published since 1990 in three major journals: *Administrative Science Quarterly*, *Academy of Management Journal* and *Organization Studies*.

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# The New Economic, Sociological and Historical Institutionalisms in Social Policy

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## I INTRODUCTION

The objective of this chapter is to outline a framework that allows for the sociological, economic and historical analysis of the institutional welfare system used to design and implement social policy programmes. Methodological and theoretical frameworks are useful when it comes to deciding the kind of empirical research to be carried out and making sense of the institutions and organizations (I&Os) in charge of policy practices in more specific and concrete situations.

First, the scope of new institutional economics is examined. Then the role played by I&Os in the design and implementation of social policy for welfare and safety systems is outlined. Third, the security and

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welfare systems are interrogated, in terms of their dysfunctionality and discontinuity, despite the efficiency with which I&Os carry out their roles and functions in light of changes in the structures of public institutions. Finally, the implications of these profound changes in the I&Os for the delivery of services and social security policy benefits and are determined.

An organization is a social system composed of individuals and groups who share interests and values interrelated in a structure designed to facilitate the use of resources, tasks and management aimed at achieving common goals of an economic, social or political nature (Vargas-Hernández, Guerra, Bojorquez, & Bojorquez, 2015). Institutions are defined as the “rules of the game” in a society or humanly devised constraints, in formal systems (laws, market regulations, property rights, etc.) and informal norms of behaviour (habits, customs, ideologies, etc.) that organize economic, social and political relationships (North, 1990, 1991).

Similarly, organizations are systems of specific coordination which provide structure to human interaction through certain institutional arrangements rather than by spontaneous mechanisms. Thus, organizations emerge and evolve conditioned by the institutional framework but, at the same time, they influence the direction of institutional change (Brousseau, 1992; Gomez, 1996; North, 1993; Vercueil, 1997; see also Bakir & Jarvis in this volume). On the other hand, institutions represent a set of rules, customs and means of coordination or determinants of a collective nature which exert strong influence on individual decisions and therefore regulate individual and organizational behaviour and its compatibility with the plans of other actors. Additionally, institutions are defined as sets of formal and informal rules and procedures in any specific society, such as those deployed in the law and bureaucratic organizations (Thelen & Steinmo, 1992, p. 2). Among the practices of institutionalizing rules, codes, laws and legal control mechanisms or ethics are distinguished.

It is worth noting that I&Os are at the centre of the argument about the approaches in question. It is also important to establish that since the underlying principles of all three approaches are the same, and since the borderline between these principles remains unclear, they can be considered to be equivalent and are used interchangeably in this chapter from this point onward.

## 2 NEW INSTITUTIONAL ECONOMICS

Institutionalists recognize that notions such as policy frames and self-interest drive institutional change in social policy (Campbell, 2002) supported by different conceptual and methodological approaches (Blyth, 1997; Finnemore, 1996; Yee, 1996). The normative level of institutional change is confronted with prescriptive policy recommendations for fixing economic and social problems (Campbell & Pedersen, 2001).

In the late 1970s, a movement began in many of the social sciences, especially institutional theories, which marked the start of administrative reform in state welfare, based on a common concern for and a dedicated commitment to the rediscovery of institutions (Anderson, 1979; Crozier & Thoenig, 1976; Cupps, 1977; Dupuy & Thoenig, 1979; Hecló & Wildavsky, 1974; Inglehart, 1997; Katz & Kahn, 1978; Katzenstein, 1978; March & Olsen, 1975, 1976; Meyer & Rowan, 1977; Suleiman, 1978; Zucker, 1977). This new movement is referred to as new “institutionalism” or “neo-institutionalism”, and comprises several theoretical and methodological approaches, all of which attempt to explain the impact of the social phenomenon known as institutions in economic, social, political and related aspects of society.

These theoretical and methodological approaches from several broader areas of study relate principles from the social sciences and similar approaches to ontology and the concepts of rationality that exist under the common approach of new institutionalism. Neoliberalism is a loose conglomeration of institutions and policy prescriptions from which actors choose depending on prevailing economic, social, political, historical and institutional conditions (Campbell & Pedersen, 2001). Furthermore, neo-institutionalism is a theoretical and methodological approach drawn from three major approaches: sociological institutionalism, historical institutionalism and rational choice institutionalism (see Table 4.1). Campbell and Pedersen also noted discursive institutionalism and, more recently, Bakir (2009) and Schmidt (2008) acknowledged discursive institutionalist applications in public policy/institutional change.

Different institutional approaches have spawned empirical research on formal regulatory, cognitive and normative institutions and their effects on social policy and institutional change. The differences among institutional approaches to the study of institutions have led to variations in social policy among nation states. Some of the key characteristics of each approach are discussed in the following paragraphs.

**Table 4.1** Comparison of the main institutional approaches

	<i>Sociological institutionalism</i>	<i>Historical institutionalism</i>	<i>Rational choice institutionalism</i>
Institution	Based on any social interaction that is taken as is	Based on formal and informal structures that are not classified as rules	Based on formal and informal rules and procedures
Ontology	Strong constructivism	Weak constructivism	Realism
Rationality	Procedural	Procedural	Instrumental
Objects of key study	Organizational fields	Public policy and power constellations	Results of public choice
Examples of authors	Brunsson, DiMaggio, March, Meyer, Olsen, Powell, Scott	Hall, Pierson, Rothstein, Skocpol, Skowroneck, Steinmo, Thelen, Weir	Levi, Hedström, North, Shepsle, Weingast, Williamson

Historical institutionalism and comparative perspectives are interested in analysing the informal and formal aspects of policy development and testing empirical theories on political institutional development and policy performance in welfare states (e.g., Skocpol, 1992; Weir, Orloff, & Skocpol, 1988). Sociological institutionalism reports on reforms or change. Historical institutionalism is associated with changes focused on the history of structural pluralism. Rational choice institutionalism relates to traditional administration seeking efficiency.

Historical and sociological institutionalism both have dynamic goals, which can shape institutions, unlike rational choice institutionalism. Moreover, the latter and sociological institutionalism share a universal ambition, while historical institutionalism is based on a middle-range theory and on the assumption that the history of institutions is very important.

In rational choice institutionalism, goals are considered to be exogenous and institutional factors to generate strategies and means. Historical institutionalism—the history of structured pluralism—is an empirical account of the development of administrative reforms. Historical institutionalists accept that self-interest motivates institutional change, but they argue that policymaking and institutional change are path-dependent processes due to the limited choices available to policy decision-makers, leading to abrupt changes in institutions and policy shifts in revolutionary breaks from the past. The historical institutionalism is an approach that creates opportunities for the complex process of determining current policy making and institutional change while offering some prospects and developments for future research in these subjects (Fry, 1995; Richards, 1997).



The aforementioned social theory approaches focus on the development and evolution of institutions associated with social welfare practice. It should be noted, however, that research analysing new institutional economics is scarce. Therefore, analyses of welfare institutions and social policy do not present a coherent framework for a sociological and economic welfare benchmark study, although the research does provide important elements for analysis.

From the perspective of new institutional economics, social policy reflects and reinforces the distribution of power in economic and social structures on the one hand and, on the other, contextualizes cultural values between social groups and gender. The logic of the relationship between the central government of a state and social welfare and domestic institutions tends to be patriarchal and to generate competitive tension because of the coexistence of different types of institution that are key to understanding gender dysfunctions between the public and private spheres.

New institutional economics assumes that institutions of states, markets and civil society are a product of and in turn contribute to the cultural and institutional environments in which they are historically located. Thus, analysis must distinguish between the conditions of possible solutions to institutional performance and institutional environments.

For example, there should be a distinction between government bureaucratic relationships and state business groups since both are characterized by embedded autonomy (Evans, 1995). This embedded autonomy is a framework for programming coherent, connected and cohesive development that emerges as a result of a particular set of social and economic relations. These social and economic relations thus unite state institutions with social institutions to provide institutionalized channels for the continued negotiation and renegotiation of goals, social policies and social security.

Analysis from the new political economy approach requires an understanding of the changes in the economic, social and political dynamics of legislation and the implementation of social policies of the society under study. Analysis focused on comparative historical institutionalism, on the other hand, enhances our understanding of the evolution of social institutional and organizational diversity from a historical perspective and of the diversity required to examine the institutional evolution. Additionally, institutions are perceived as local policies where relations, defence, negotiation and struggle between different social groups occur as a matter of

routine (Clegg, 1989). Therefore, the process of institutional change serves to focus and intensify political struggles. Campbell (2004) offers another perspective of institutional change, considered the second movement in institutional analysis. This theory questions the institutional paradigms applied to empirical cross-cultural cases of institutional development and policymaking.

The sub-socialization of impersonal institutional arrangements approach, with its improbable predictions of universal order or disorder (Krippner et al., 2004), and the involvement approach of Polanyi (1944, 1957) and Beckert (2007) assume that social structure determines the distinction between markets and hierarchies used by neo-institutional economists to explain the problem of Ronald Coase.

An existing institutional arrangement represents an established order, a pattern of interest and the distribution of benefits among different stakeholders. In social uprisings, individuals discover the power to act, as new forms of political and economic institutional arrangements better suit their organizational demands for social welfare. At the embedded micro level, the notion of involvement refers to connections intra- and extra-community networks; at the macro level, it refers to the relationship between the state and society, institutional capacity and credibility.

The institutional credibility of new democratic governments is based on their ability to nurture the welfare institutions of civil society which prevent the anomie and alienation of citizens (Hagan, Merken, & Boehnke, 1995; Inglehart, 1977; Mishler & Rose, 1997; Woller, 1996). Citizen anomie is an endemic element in all social transformations (Galtung, 1995).

Comparative neo-institutionalism expands institutional performance empirically, not normatively. It considers that the embedment in state-market-society relations at the macro level in the administration of social policies may be synergistic if autonomy is achieved with institutional coherence, competence and capacity as components of organizational integrity. Thus, welfare institutions are distinguished not by the informal and formal qualities that they possess, but rather by the structure of the relationships and networks between and within firms.

From the perspective of new institutional economics, the notion of embedment is useful in explaining the economic relations of the institutions of welfare systems and social policy. The complexity and characteristics of the social and economic relations that are made with the implementation of social policy programmes impose significant restrictions on

community members trying to make membership changes to larger welfare sharing networks, since there are extensive and sophisticated interrelations between formal and complex institutions and the welfare state.

Intricate forms of interaction within the networks of social relations cause problems related to the interchange of benefits due to the implications of new institutional forms. The trend of public participation in the context of social policy tends to be automatic, unrestricted and dangerously dysfunctional, political and administrative systems (Cupps, 1977, p. 478). Thus, inquiry has become the norm of institutionalized public participation as a standard component of the political process.

During the 1990s, laws were passed to benefit those affected by the imposition of new regulations on the right to negotiate the content of social policy. As a result, the decision process has moved beyond simple consultation to meet with decision rules. Comparative neo-institutionalism explicitly identifies the autonomous social relations embedded in the administration of social policy as different forms of social capital. Social capital is defined as the nature and degree of personal relationships in the community and in institutions, which actually determines the types and combinations of these relationships.

Neo-institutional economics holds that contractual arrangements in the market should not exceed the hierarchical transactions that can cause problems arising from the principal-agent relationship. That can lead to higher transaction costs in development and monitoring contracts, used to reduce risks related to adverse selection and moral damage (Le Grand & Bartlett, 1993, pp. 19–34). Classical economics and sociology focus on the nature and extent of social relations that vary within and between different institutional sectors. However, the tasks performed by these relationships undergo necessary change when economic exchange becomes more sophisticated.

Trust and norms of reciprocity, justice and cooperation between agents of welfare and social security are benefits acquired by specific combinations of social relations that are undeniably important for facilitating and enhancing efficient institutional performance. However, independent of social relations, these attributes are non-existent. In any case, the existence of too little or too much social capital at any given institutional level can impede the economic performance of the institution.

As regards neo-institutional comparative development, Portes and Sensenbrenner (1993) discussed the positive elements implicit in both communities and institutions of social policy, where social capital can help

to produce other desirable qualities in public goods and benefits for interested parties. If social capital in social organizations and beneficial relationships between communities and institutions of the welfare system are developed and maintained, they may counteract negative effects, like discrimination.

At the macro level, the neo-institutional approach developed by the aforementioned authors. Portes and Sensenbrenner (1993) identify the synergistic institutional relations between state and society, which are encouraged in some developing countries where the socio-political and economic environments are predatory. However, the conceptual and empirical limitations of the comparative institutional literature suggest the need for a broader and more dynamic model that covers both domains.

The neo-institutional comparative literature identifies different types of social relation that contribute to the formation of social capital whose presence, absence and interaction have implications for the effectiveness and efficiency of social policy programmes. Cohesive and coherent institutions strive to empower a diverse group of civil society members in order to facilitate the development of beneficial autonomy and accountability both within and among different social groups which benefit from social policies.

The rationality of an agent's approach (rational choice theory or instrumental rationality) and the outcome of institutions (rules or primary culture) approach (institutionalism) explain or refute arguments about the presence of social relations in any place and time, and limit the scope of research in the field of public policy. The analysis focuses on the social and structural explanations of economic activity; it also identifies the types and combinations of social relation, the institutional environment that shapes them and their historical emergence and continuity. It is a more consistent approach to the study of social policy.

Institutional settings affect the forces that shape the governance and governability of power structures in the state. Institutional configurations are formed by the relationships between the structures of institutions and relevant forces, without and within the project of state building. This is created with the full purpose of constitutive friction with the will to statehood, which varies in space, porosity and shape of the public/private division. Viswanathan (1995, p. 31), Suad (1997) and North (1996) emphasize the need for institutions to adapt to changes and take risks in order to achieve efficiency in the privatization process and as a means to solve social problems.

In the structural approach previous to institutionalism, it is considered that social policy emphasizes class struggles in defence of class interests (Baldwin, 1990), the emergence of institutional structures of state welfare and conflicts of modern society (Lowe, 1997) to achieve better levels of welfare and social security. Collective action problems relating to institutional and historical processes involve the assessment of variables such as the degree of coordination among beneficial interactions, and the dimensions and combinations of social relations, to render them more constructive.

### 3 INSTITUTIONS OF SOCIAL POLICY

The institutions of the welfare state are the most mythologized of modern institutions (Chandhoke, 1995). Social policy has always been taken for granted and has played an important role in the design of the welfare state since the Second World War. It has thus become a cliché of new social policy. Rather than sustaining discussions on the theoretical and methodological approaches of traditional social policy, analysts and scholars have focused on the description of programmes that emphasize good intentions geared towards achieving social welfare goals.

The evolution of industrial capitalism and democratic institutions has given rise to economic challenges among the working class, requiring the investigation of possible avenues of compromise in the relationship between voters and the state. In this sense, social policy enters the arena of struggles due to changes in social class, at the risk of causing disorder and social mobilization. With the development and expansion of trade and social stabilization, the capacity of the national welfare system's institutions to protect individuals against the harshness of market institutions is weakened.

The analysis of economic phenomena and, therefore, of social policy from the perspective of the role of institutions and norms (institutionalism) was rendered obsolete in the nineteenth century when classical political economists and utilitarian economists relied upon Smith's *The Wealth of Nations* rather than moral sentiments. Weber (1991) placed exercisable confidence in social policy in the sense that the formal institutions and arrangements of particular groups use different mechanisms to comply with agreed rules of conduct. For example, while bureaucracies use rational legal mechanisms, families use informal mechanisms. Comparative institutional academics extend the Weberian thesis to argue the existence

of two key organizational dimensions: structures that establish and perpetuate capacity and credibility, and internal relations between beneficiaries and stakeholders.

Foucault's (1966, 1996) analysis of biopower points directly to the design and implementation of practices associated with welfare institutions. The institutions responsible for welfare practices are involved in process control through the exercise of different forms of power over other participants. The exercise of this power over citizens by institutions occurs in a spatial relationship between agents and institutions that share ownership capital to exercise the dominant economic, cultural and social positions.

The institutional model of state welfare, according to Titmuss (1974), involves the implementation of social welfare programmes, redistribution of resources and meeting equality goals. Institutional welfare systems promote universal values of solidarity and equality if the benefits awarded are derived from general revenue. The other two models are the residual welfare state, whose programmes merely guarantee a minimum level of support, and the achievement-performance model based on industrial principles of achievement and social status. The welfare systems based on achievements provide benefits paid as a reward for work and based on contributions to social security, but maintain status differences between social groups.

Since 1974, conservative governments have been making radical and permanent changes to social welfare policies and welfare institutions incompatible with the welfare state model. Jessop (1990, 1994) argued in favour of the transition to a Schumpeterian welfare state in which full local employment is prioritized by international competitiveness, and redistributive social rights take second place in a production-oriented, reformatted social policy. The traditional instruments used for the implementation of social policy are different to those of the professional model. The changes are radical: from an approach where the role of the welfare state is the provision of welfare services to all, to a new role of providing support only for the poor in a production-type, inflexible social policy.

The social capital approach to the analysis of social policy is based on the work of Durkheim (2003), Weber (1991) and Simmel (1986) on the functions of different types of social relation that affect institutional outcomes. The analysis of social capital related to public policy from the 1970s is based on theoretical and empirical approaches that compared the new institutional economics and sociology of economic development, and dealt with institutional relations of the state and society at the macro level.

The framework of social capital can be more influential in the geographic analysis of institutions that transcend the micro and macro levels; currently, it seems to be fruitless. Strategic research (Merton, 1987) facilitates the analysis of developmental dilemmas in poor societies, for example, bottom-up tasks of coupling and uncoupling between social groups with expansive economic requirements and the establishment of a durable synergy among developmental institutions consistent with their constituent groups. It also includes how interactions between social groups and constituents change over time and the relative importance of each dimension.

By way of example, the microfinance institution Grameen Bank in Bangladesh benefits groups of poor women who achieve high recovery rates in a complex institutional structure that involves rotating savings, credit associations, collateral sources, etc. The relationships among the beneficiaries were formed spontaneously from the bottom up, as a reaction to the isolation of traditional financial institutions. This initiative is promoted by external non-governmental organizations.

The concept of habitus (Bourdieu, 1980, 1990, 1993, 1994, 1996; Calhoun, 1993) is relevant in welfare institutions as the link between institutions and social policy beneficiaries. The welfare model indicates how economic capital is channelled in social policy programmes. In this dynamic welfare model, the different factors and mechanisms involved influence welfare efforts internally. Therefore, the different forms of social policy—such as health, education, food, housing, employment, social security, etc.—display structures of domination that activate different habitus and interests.

Bourdieu's model provides a realistic tool for the analysis of the institutions and practices of welfare (Peillón, 1998) because it can determine the type of development and welfare implications existing in institutions, policies and practices, and the extent to which they constitute social welfare. In Britain, for example, the discussions approach based on Kramer's (1981) analysis emphasizes the role of the voluntary sector in the welfare state. The British model driven by Thatcher was committed to parliamentary sovereignty and the insertion of intermediate institutions such as the civil service into public administration. Consequently, in many areas of state power, the trend towards centralization increased (Smith, 1998). As a result, it has become harder to accept excuses and apologies that give way to a more consumerist oriented social policy as the result of an increased economic living costs along with social and demographic change.

The theory of communicative action proposed by Habermas (1987) analyses global colonization in relation to social welfare, particularly in the case of the institutions of state welfare that obtain legitimacy through monetary rewards. Therefore, if these institutions are being supported to serve, and at the same time are being allowed to use their own means to do so, they can in effect colonize the globe.

The feminist literature on welfare institutions is aimed at analysing the development of social policy programmes. Analysis focused on feminist theories connects the reproduction of gender inequalities with welfare institutions and focuses on the different ways in which social policy supports and reinforces the dependence of women. Governmental and local welfare institutions can develop different patriarchal types of welfare to regulate and govern the conduct of gender and kinship through different forms and codes of communication, modes of operation and practices to promote the continuance of inequalities between the different economic, social, cultural and religious spheres. Feminist critiques consider the social policy of state welfare to be a set of supportive relationships and dependencies created within the members of a family providing a space for women to keep the roles of caregiver and controller of human reproduction.

The French approach to institutionalism, supported by the European political philosophy, gives rise to the concept of social exclusion and its political implications for relationships with markets (in the ownership approach (Sen, 1987)), the state, citizenship and civil society. Social exclusion emphasizes agency problems and the role of social institutions. By extending the concept of ownership, Bartlett (2005) examines the significance of the lack of assets, which facilitates the persistence of poverty. For example, when institutions of the welfare system lack the will to deal with high-risk citizens—as is the case of support programmes for home financing with high interest rates and informal financial institutions—segmented markets develop, which have more adverse consequences for those who are excluded. The consumer paradigm in welfare-related public sector reform is highly susceptible to manipulation by politicians and public administrators who wish to strengthen and legitimize their institutions and institutional power against producers and consumers.

The connection between bureaucratic foundations and functions in different institutional settings (Rueschemeyer & Evans, 1985) of the welfare system, together with the relationships of social capital as a moral appeal, trust and cultural mechanisms, define and reinforce the status borders of



the groups who benefit from social policy. However, conservatives equate the state to society in a zero-sum game, while the institutions of civil society earn what the state loses. However, the question of the relationships between social capital infrastructure and content, media and the message of social relations remains unresolved. The infrastructure of welfare institutions, on the supply side, and the behaviour of beneficiaries on the demand side, should be considered in the design and implementation of social welfare programmes.

States with highly institutionalized political and administrative systems emphasize organizational designs for the formulation and implementation of social policy (Aucoin, 1990). Change is inevitable in structural and institutional reforms of the welfare system in the traditional model of public administration, as they do not always comply with the logic of institutional amalgamation, or with contextual and temporal elements. However, despite the anti-bureaucratic and post-bureaucratic clamour of public sector institutional reform of the welfare system, the results are uncertain as the public bureaucracy and professional power engage in institutional bargaining in an effort to reconstitute themselves, their autonomy, and domination within the context of the new administrative culture.

Welfare system institutional reforms can be considered as interactive processes between various institutional and bureaucratic actors actively involved in strategies that promote self-interest in contingent and ambiguous contexts. The means to pursue institutional reforms of welfare systems vary considerably in locus and focus depending on the historical, political, and institutional elements of nation states, national motifs, and types of reform. The application of New Public Administration techniques redesigned state welfare institutions by amending state welfare policies in management structures, behaviours, processes, cultures, ideologies and practices (Clarke & Newman, 1997).

In a historical and institutional context characterized by the heterogeneous plurality of needs and conflicts of interest, along with new public management for social welfare institutional reform, in the approach to decentralized implementation is encouraged for institutionally autonomous subjects, and as a result consciousness and responsibility increases.

However, it is in the lower social classes of political systems that genuine changes are clearly reflected by those who are at least partially and imperfectly affected by administrative reform. Beyond a perfect arrangement between intention-outcomes and the impact of the administrative reform process, specific policy legacies and institutional arrangements

established have predominant value, including the specific settings of individual nations.

The decentralization process of social welfare institutions is part of an institutional context, based on the cooperative principle and subject to a dualistic logic, intended to determine the spacing between respective areas of responsibility. Decentralization rearranges the institutional processes characterized by an increase in unit needs in addition to the formation and growth of both the federal or unitary state and local governments.

The notion of the institutional subsidiarity supports initiatives in private organizations, associations and social groups, with the participation of public institutions. Under the principle of subsidiarity, decentralization occurs in two phases that are logically distinct but closely connected. They outline the criteria for determining the allocation of power within different institutional levels on one hand and the actual distribution of singular powers on the other.

Decentralized organizations have redefined and redesigned equity as the relationship between structures of the nation state and local organizations and autonomous institutions. Territorial local institutions are part of the structures of the unitary state, an expression of the will of the parties defined territorially by the community state. However, the decentralization processes guarantee a limited balance of power between the different institutional levels left for negotiation.

Subtle changes in the design and implementation of social policies modify the financing of benefits used to transform institutions that formulate and implement progressive or regressive policies, taking into account the comparative analysis of local and international situations. The government is no longer limited to the state apparatus but may also now involve a range of public and private institutions at national, local, community and neighbourhood levels, in order to achieve its goal of providing social welfare. This leads to continuity in new forms of governance and fragmentation in the delivery of welfare benefits and social security.

The internal quasi-markets and government contracts as used in the 1980s, for example, differ from the involvement of an active and democratic citizenship embedded in voluntary social organizations. The basic structure and operating methods of social non-profit organizations are characterized by an institutionally separate sector of the state, which allocates and distributes non-profit resources with its own forms of self-government and voluntary participation (Johnson, 1997; Salamon & Anheir, 1997).

Social exclusion as a framework for the analysis of relationships in a welfare system focuses on agency problems, institutional structures and social, economic and political contexts related to poverty, employment and social integration. The analysis takes into account the economic, social and institutional forces that allow or prevent social inclusion, as well as social policies that address social exclusion. The analysis of social exclusion involves implications of economic, social, civil, political, cultural and other rights, improved lifestyles, market access, social participation and identity, etc.

The conventional perspective of research is focused on the internal efficiency of welfare systems, risks diverting attention away from the real structural problems of the government and public administration institutions that require interagency coordination (Metcalf & Richards, 1993, p. 118).

#### 4 DYSFUNCTIONS AND DISCONTINUITIES

Why have some social policy institutions become dysfunctional or collapsed across nations and what should be done about it? From the perspective of institutionalism, the way in which organizations and society as a whole have evolved over time is not erratic but rather strongly determined by institutional change. The main source of institutional change is the relationship between institutions and their environment, particularly their ability to reduce transaction costs that result from designing and managing transactions. Therefore, to promote incentives for the actors involved in productive activities of cooperation—under informal rules transmitted socially and formal rules created by the state, the direction or hierarchy of an organization—all citizens or members of the group must be encouraged to participate in the dynamics of shared preferences (changes to integrative order).

Within this context, it is thought that some social policies, and the organizations responsible for their implementation, distort the institutional framework that regulates them and, consequently, their objectives, instead of strengthening efficient productive activities that promote redistributive behaviours and restrict incentives to take collective productive action.

Societies sub-governed by the rule of law and the state are hostile to equitable development, and as a result economies are overruled without achieving both efficient and effective results. According to Suad (1997), in the Global South there are postcolonial states with welfare and social

security institutions, which are impacted by their colonial experience as pre-state societies. The central institutions of economic, social, political and religious organizations that are hierarchically structured are bureaucratic, formal and dominant. In such societies, centralized welfare institutions displace local ones, and tend to evaluate and institutionalize the boundaries and discontinuities between different arenas of social welfare. More companies are maintained at the state level, especially in highly centralized states.

Economic development policies disregard the formation of social capital in their proposals for strengthening market economies and social democratic welfare institutions. Welfare institutions often justify their dysfunctions with interventions aimed at different objectives, such as ecology and democracy, rather than reflecting the values of the recipients of public policy activities, which are considered to reflect the theoretical principles of property ownership and interpretations of the nature or principles of government.

In the changing context of globalization, processes and demographics are criticized based on the scope of social policy. The concept of social exclusion is used in discussions on welfare institutions and social policy to analyse the emergence of patterns in a range of dimensions of poverty, deprivation and social and economic disadvantage (McPherson, 1998). It is the complex circumstances and processes of marginalization and isolation, along with economic and social deprivation, experienced by individuals in fragmented societies that result in dualities, breakouts and social cohesion.

Empirical research reports that the process of social exclusion is the result of interactions among market institutions, the state, citizens and civil society. Social exclusion is driven by rising trends such as the globalization process, associated with the loss of national sovereignty, decision-making capacity and poor asset allocation, hindering access to living resources to large segments of the population and the economic, social and political structures that determine the exercise of power and the status of various social groups. Gamble and Payne (1996) questioned whether regional economic blocs are a growing response to the global forces that enable the development of politically stronger economic institutions (Fane, 1996). Since there are no social institutions capable of strengthening civic virtues, the enormous task of institutionalizing the necessary functions required to meet the needs of what society has lost, falls to the state. Therefore, if the moral structures of social institutions like the family

and the religious institutions have lost their role of teaching standards of ethical behaviour, the claiming of welfare rights that are available is considered a rational action rather than a necessity.

The inefficiency and rigidity of bureaucratic institutions forces those that fail to achieve results to expand their political activism through renegade programmes to include support for social welfare, humanitarian relief of community organizations and, as a last resort, international philanthropic organizations. It is difficult to determine the conditions under which dysfunctional, destructive and dying institutions—in states that are predatory, weak or indifferent—continue to administer social policy programmes without giving way to the emergence of institutions in the welfare system, which would be more functional, constructive and responsible as active developers.

There is abundant evidence of abuse, corruption and scandals in public-sector institutions responsible for administering programmes of social policy despite the good intentions of professional bureaucrats and the codes of ethical conduct guiding their actions. The benefits of the noblest purposes are lost in a maze of corruption, implementation and misapplication of logistical problems obstructing effective and efficient delivery.

Ultimately, many institutions of social welfare development take their beneficiaries' social relations and political circumstances into consideration, rather than the poor, marginalized and socially excluded who are those intended to be the real beneficiaries of welfare programmes. For example, social policy may be intended to improve the conditions of the poor, but benefits only certain types of persons and institutions based on their income, status and power. Thus, institutional deficiencies and social deprivation, in conjunction with financial institutions and public organizations in civil society, allow benefits to organizations, voluntary agencies and philanthropic programmes for social welfare sectors. Perceptions of welfare reforms, the political will of governments and political parties and the inertia of welfare institutions are factors to consider for the implementation of programmes.

The relevant legal conditions in progressive social policy have become inflexible and impersonal. Strategies to design and implement social welfare policies aim to achieve macroeconomic results without contributions to the micro-institutional foundations on which they depend. Overexploitation of the incentive structures and flexibility that other markets provide clearly defines the institutional foundations for improving human welfare and raising the productivity of the poor.

## 5 IMPLICATIONS FOR THE DESIGN AND IMPLEMENTATION OF THE NEW SOCIAL POLICY

The sociological and economic frames of reference required by institutions and practices of welfare are located in the internal dynamics of a particular social and economic context. In programmes of universal social policies, interactions between institutions and beneficiaries take on a different character, depending on the different areas of the welfare system. History shows that the economic performance of a company depends on its institutional framework and environment. Institutional arrangements in the relationships among state institutions, civil society and the market are incorporated and established by sensitive and sensible social policies.

All these factors determine the functions of the state, society and market approaches to the development of projects adopted by governments and the allocation and accumulation of resources, and social policy programmes for poverty reduction, economic growth and structural transformation. Civil society can be reconstructed under an emancipatory design (Chandhoke, 1995) by recognising that all welfare institutions in civil society are equally susceptible to democratization processes. In some situations, social exclusion is reduced by institutional innovations that compensate for market failures in the provision of public goods and services.

The ethical standards resulting from moral structures that guide individuals taught by other social and religious institutions are complementary but they do not need to be part of the state's social policies. Societies where collective action problems are resolved efficiently and effectively present huge institutional and organizational differences from societies whose institutions are in constant conflict. This leads to inevitable cultural hostility, frustration and inconvenience.

The relationships between the institutions of the state, society and market continue to have a top-down developmental agenda which should involve the communities it seeks to serve in order to achieve credibility and effectiveness in social policy programmes. Paradoxically, these types of institutional structure facilitate the introduction and institutionalization of structures supported from the bottom up. Therefore, these institutional structure are complementary and both types are necessary to achieve a positive sum of purposes in social programmes and welfare policies.

An error in the design and implementation of the spatial expression of social and welfare policies is the lack of space consideration. Traditionally

secure institutions and welfare between communities are part of the cultural and social components of their lifestyle. Economies that tend to be endogenous in terms of social welfare responsibilities focus on local institutions such as family and community charitable institutions with more appropriate feedback systems, allowing them to be self-sustaining and even to experience dynamic growth returns, except in the case of organizations that are more focused on beneficiaries' needs.

Bottom-up welfare initiatives, ranging from more informal communities to family levels, require connections with more formal and extensive levels of extra-community institutional systems. These connections must be forged so that the incremental integration may accumulate in new forms of social capital involving non-members of the community in developmental programmes focused on social policies. However, many concerns arise here since, for example, military groups and mafias emerge to provide private and social protection and social security which designated formal public institutions cannot provide.

Social and philanthropic organizations such as churches, private charities, governmental and quasi-governmental organizations—as they present themselves—maintain the values and ideals of social welfare when it is an appropriate means for them to pursue their own agendas and interests. Institutional and organizational dynamics can explain the results of any social policy with an institutional structure. Significant effects include competition in the management of social policy programmes and the balance of their recipients or beneficiaries.

The institutional development of the welfare system in ethnic communities is hampered by the tenuous legal status and lack of recognition that results in wider discrimination against certain social groups, weakening their identity and commitment to these institutions. These social groups are excluded from social, civic, financial and government institutions to such a degree that they become communes, where the only institution focused on meeting basic requirements of safety and credit is the family. Paradoxically, it could be that financial resources are not the most important need of such an institution.

Other institutions assume state governance with a developmental agenda, even without the ability to comply with processes of transparency and accountability, while cultivating a more just and inclusive social environment for beneficiaries. The creation of a synergistic environment involves the development of relationships between groups and local

communities at various levels, with external social relationships and that extend to civil society, between civil society and institutions at the macro level, and between institutions and corporate sectors at the micro level.

The role of state institutions is fundamental in the formulation of social policy in order to attack simultaneously from a more global and systematic perspective of the state that involves coordinated action in the primary markets, political institutions and cultural values, and from the perspective of social actors themselves. This strengthens the capacities of social actors (Figueroa, Altamirano, & Sulmont, 1996, pp. 89–92). At the micro level, social policy programmes and social security policies should seek to nurture participatory organization of beneficiaries who should be empowered to assume increasing levels of responsibility for and commitment to their own welfare and human development, while building relationships between local communities and formal institutions.

The regional development agencies responsible for promoting social policy programmes for welfare and social security institutions are publicly funded outside the mainstream of central control and administration of local government and designed to promote economic development (Halkier & Danson, 1996). The recipients or beneficiaries of social policies and programmes of social security may initially require basic induction, but in the long run, the primary measures of the programme's success should be extended to all involved. All actors and stakeholders involved should increasingly take responsibility for the viability of new welfare institutions, and mechanisms should be established to ensure access to the institutions of the welfare system and to support beneficiaries participation. Welfare institutions must contribute to the development of technological, organizational and administrative skills in order to create and maintain institutional effects that go beyond being conducive to efficiency, effectiveness and equitable development.

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PART II

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Explorations in Institutional  
Entrepreneurship

# Local Policy Entrepreneurship in Authoritarian China: The Case of a “Model” Health Care Reform

*Alex Jingwei He*

## I INTRODUCTION

Over the past two or three decades, the concept of entrepreneurship has spread from the business realm into academic research, which has sought to explain public policy dynamics. Defined by Kingdon (1995) as

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individuals willing to invest their resources—time, energy, reputation and sometimes money—in return for future policies which they favour, policy entrepreneurs are thought to play a pivotal role in policy change and diffusion. In Kingdon’s multiple streams model, the policy process is conceived as policy windows which open as a result of the coupling of three streams—problems, policy content, and politics (Kingdon, 1995). It is argued that such windows could be joined by chance or by an entrepreneurial leader with a strong desire to effect significant change to current ways of doing things in his or her area of policy interest (Mintrom & Norman, 2009).

Representing a useful analytical framework in explaining policy change, the study of multiple streams and policy entrepreneurship has evolved from a loose metaphor to more sophisticated treatments, offering numerous empirical investigations in a variety of national and sectoral contexts (Cairney & Jones, 2016; Mintrom & Norman, 2009). Most important, providing a universal theoretical framework, the model is highly portable and can be applied to multiple contexts without its explanatory capacity being undermined (Jones et al., 2016). As Hammond (2013) argues, there is no inbuilt necessity for policy entrepreneurs to appear only in political systems that have elections or a free media. In fact, policy entrepreneurship’s application to non-electoral democracies has yielded a growing body of knowledge, including several studies attempting to analyse the roles played by policy entrepreneurs in authoritarian China (Hammond, 2013; Mertha, 2009; Teets, 2015; Zhu, 2008, 2012, 2016). Behind the emerging role of policy entrepreneurs is the increasingly visible pluralism of policy in the country’s party-state system.

Although, by definition, the term “policy entrepreneur” encompasses a wide range of personnel, both in and out of government, in elected or appointed positions, in interest groups, think-tanks or the mass media (Kingdon, 1995), it is critically important to focus on government officials when analysing the case of China, given their dominant role in policymaking (Zhu, 2012). Examination of their motivations and strategies is of central importance to understanding policy entrepreneurship in the country. Teets (2015), for example, found that entrepreneurial local leaders actively undertake innovative policy experiments because innovation strategy has been proven to be the most successful path to career advancement and to solving persistent local problems. Another case study analysing the introduction of China’s Minimum Livelihood Guarantee Scheme (*dibao*)



suggests a more genuine public service motivation of the policy entrepreneur (Hammond, 2013).

Thus far, the literature has concentrated on explaining the success or failure of entrepreneurs, with analytical focus primarily on their personal attributes and entrepreneurial activities. According to Kingdon (1995), effective entrepreneurs typically manifest three “traits”: *readiness*, *connectivity* and *flexibility*. In terms of readiness, he argues that policy entrepreneurs do not wait passively for opportunities to come, but develop alliances and consider policies in advance. In terms of connectivity, policy entrepreneurs need to be able to “hook solutions to problems, proposals to political momentum and political events to policy problems” (Kingdon, 1995, pp. 181–182). Moreover, broad connections with stakeholders strengthen the entrepreneur’s ability to mediate various interests and to push for the proposal at hand. Finally, flexibility requires the entrepreneur to be able to adapt to a variety of events, political climates and unexpected changes.

A more widely adopted framework was proposed by Mintrom and Norman (2009). It summarized four central elements of policy entrepreneurship: (1) displaying social acuity, which states that change agents must exhibit high levels of perceptiveness in understanding others and engaging in policy conversations; (2) defining problems, in terms of the way in which novel redefinition of the same policy problem can significantly determine how much attention will be paid and what measures will be taken; (3) building teams, which describes forging coalitions with external actors to be as important as consolidating internal support from within the organization; and (4) leading by example, which explains that defending a new policy proposal involves the clear demonstration of its workability. Undertaking pilots and showcasing positive outcomes are useful tactics. Mintrom and Norman (2009) further argued that, all other things being equal, entrepreneurs who exhibit more of these qualities are more likely to achieve success than those who do not. More recent interdisciplinary studies have brought context and agency-level enabling conditions back into our understanding of institutional and policy entrepreneurship (Bakir, 2009, 2013; Bakir & Jarvis, forthcoming 2017). It has been argued that policy entrepreneurs are most likely to deliver policy and institutional change when they are enabled by various complementarities arising from structural and institutional complementarities and agency-level enabling conditions (e.g., multiple identities) in the various stages of public policymaking.

Influenced by Kingdon's framework, Oborn, Barrett, and Exworthy (2011) expanded on the role of entrepreneurs by separating the three stream windows in order to further scrutinize agency in the translational process. Their case study of health reform in London identified a series of more nuanced processes, as well as skills. In the problem-formulation stage, for instance, aligning networks to conjoin into a bigger problem, which becomes the basis for framing a rhetorical space, is seen as an important entrepreneurial strategy. Their study went beyond Kingdon's static framework and revealed a more dynamic role of entrepreneurs, not simply in coupling the streams, but also in shaping the context, content and process of policy development.

As in the Western literature, the majority of studies in the Chinese context have focused on analysing the strategies adopted by entrepreneurs that have led to eventual success, and/or various qualities of successful entrepreneurs (Hammond, 2013; Mertha, 2009; Zhu, 2008, 2012). Despite their theoretical contributions, two limitations are notable. First, the received wisdom either speaks to the dynamics of agenda setting in the centre (e.g., Hammond, 2013; Zhu, 2008, 2016) or focuses on local experiments (e.g., Cheng, 2014; Zhu, 2012; Zhu & Xiao, 2015), without a deeper delineation of intergovernmental interactions that profoundly influence policy change at the local level. As Mintrom and Norman (2009) rightly pointed out, the emphasis on the individual traits of entrepreneurs often inhibits theorization. Studies on policy entrepreneurship must simultaneously pay attention to institutional factors and individual actions, and how the former shape the latter.

The most salient framework describing the nature of Chinese administrative institutions can be traced back to Lieberthal and Orksenberg's (1988) seminal model of fragmented authoritarianism, which showed that the country's party-state system is not a monolithic top-down machine, despite its authoritarian nature; the sophisticated horizontal division of bureaucratic functions and vertical administrative decentralization have created a rather fragmented system under which policies developed at the centre often become malleable in order to serve the goals and interests of sub-national agencies. Policymaking therefore tends to be characterized by incremental change via bureaucratic bargaining (Mertha, 2009). Understanding the fragmented nature of Chinese bureaucracy is crucial here because it leaves considerable space within the political system and the bureaucratic hierarchy for individual agents at different levels to influence the policymaking process (Hammond, 2013; He, 2012; Mertha,

2009). How the fragmented bureaucracy enables and constrains local entrepreneurs and how entrepreneurs manoeuvre through various levels and sectors of the bureaucracy needs closer scrutiny.

The second limitation of the literature is that, despite the insightful depiction of Chinese policy entrepreneurs, most previous studies provide few clues as to how entrepreneurs manoeuvre in the face of significant opposition from both inside and outside of the bureaucracy, largely due to the nature of the policy domains examined. As policy innovations are often associated with the realignment of significant interests, policy outcome is determined to a great extent by the way in which the affected parties—especially powerful ones—react. This aspect of policy process has become increasingly important in China in recent years, given the plethora of vested interests obstructing difficult policy reforms in Xi Jinping's reform era (Van Aken & Lewis, 2015). Associated with multiple parties, including hospitals, governments, users, health professionals, insurers, and pharmaceutical industries, health policy offers an excellent window through which to examine the multitude of intertwined tangible and intangible interests and how policy entrepreneurs succeed or fail in overcoming resistance from vested interests (Roberts, Hsiao, Berman, & Reich, 2004).

Through examining the case study of a famous model of local health care reform, this chapter illustrates how a Chinese policy entrepreneur and his team manoeuvred within the fragmented bureaucracy and vested interests involved and pursued difficult policy changes. It generates deeper insights regarding the interplay between individual agency and institutional structure in authoritarian China's health policymaking at the local level, especially with regard to vertical dynamics between central, provincial, and municipal governments, and horizontal dynamics among various sectoral bureaucracies. This study reveals that the institutional structure at the local level is not as rigid as might have previously been understood in China. A successful entrepreneur need not passively take this rigidity for granted but may proactively reshape institutions in order to serve reform efforts. The malleability of the institutional structure can be substantially increased by entrepreneurial manoeuvres. Hence, this study contributes to the theoretical understanding of the interactional patterns between structure and entrepreneurs by highlighting the remarkable fluidity catalysed by entrepreneurial agency in this respect.

The chapter draws on an in-depth study of health reform conducted in Sanming City, Fujian Province, the experiences of which have received recognition by central leadership and international organizations. Wide

media coverage has portrayed Sanming as a star of health reform, providing invaluable experiences for China's nationwide reform. Empirical data were collected from both primary and secondary sources. Semi-structured interviews were conducted extensively during two field trips to Sanming and Fuzhou, the provincial capital, in November and December 2015, respectively. Informants included three senior government officials and five front-line medical staff in Sanming City, four officials in various provincial departments in Fujian, and one senior correspondent. Purposive sampling was used in order not to miss key informants. Secondary quantitative and qualitative data were either provided by informants or collected from open sources such as government websites and newspapers.

## 2 POLICY BACKGROUND: HEALTH CARE IN CHINA AND RECENT REFORMS

China used to have an internationally revered health system under the planned economy. The urban and rural health systems were embedded into the *danwei* (work unit) system and agricultural communes (*renmin gongshe*), respectively. Until the 1980s, the Government Insurance Scheme (GIS), the Labor Insurance Scheme (LIS), and the Cooperative Medical Scheme (CMS) together provided the vast majority of citizens with essential financial protection. Consisting of city-, county-, and township-level health facilities, the delivery system was dominated by the government that funded it. Health workers in the cities were state employees, receiving fixed salaries, while barefoot doctors in the countryside were paid by their communes, largely through the CMS. This system provided the people with basic but cost-effective care, until China's embarkation on market-oriented reforms in the 1980s.

Health policy in China over the past three decades offers a good illustration of both market and government failures. While the government conceived of market forces as useful in addressing critical resource shortage and poor incentives under the planned economy, the actual steps taken in the 1980s were unfortunately misguided by faulty market assumptions. Following the drastic reduction of government funding in a load-shedding manner, health facilities had to make up the subsequent financial shortfall by significantly increasing user fees. Receiving just 10% of their incomes from government, public hospitals had to draw deeper from patients' pockets for their financial survival (Hsiao, 1995). The practice of linking

physicians' income to their performance in generating revenue became prevalent in hospitals (Liu & Mills, 2003; Qian & He, 2016). The incentives driving physicians' behaviours were powerfully altered towards profit-seeking.

Compounded by the dominance of the fee-for-service method of paying providers, alongside an ill-set fee schedule (Liu, Liu, & Chen, 2000), the battery of misaligned incentives has led to an enormous provision of unnecessary care, estimated to account for 20% to 30% of China's total health spending, or at least 1% of its GDP (Zhong, 2001). Over-prescribing pharmaceuticals and high-tech diagnostic tests, as well as abusing expensive medical procedures, is ubiquitous in hospitals (He, 2014; Li et al., 2012). Worse, major health insurance schemes were either dismantled or significantly weakened in the 1980s and 1990s, leaving the majority of Chinese people uninsured, especially rural residents. Out-of-pocket expenditure skyrocketed while *kanbing nan* (expensive access to care) and *kanbing gui* (medical impoverishment) became the leading causes of social dissatisfaction. With the bulk of health expenditures paid out of pocket, the Chinese system was considered by the World Health Organization to be among the least equitable in the world (World Health Organization, 2000).

Reform efforts started in the late 1990s, but most were unsuccessful, with the exception of the launch of Urban Employee Basic Medical Insurance (UEBMI) in 1999 (Ge & Gong, 2007). Traumatized by the SARS (severe acute respiratory syndrome) crisis in 2003, the top leadership finally decided to overhaul the country's heavily deteriorated health system. Following the introduction and rapid expansion of the New Cooperative Medical Scheme (NCMS) and Urban Resident Basic Medical Insurance (URBMI), social health insurance now covers close to 99% of the population, though it offers shallow protection (Li & Zhang, 2013). The national health reform, launched in 2009, vowed to build a universally accessible system by 2020, in which the government's role in health was reasserted. However, a recent interim evaluation suggests mixed results. While accessibility to care has improved as a result of expanded insurance coverage, rapid inflation of costs has continued, mainly due to the vast inefficiencies of the hospital system (He & Meng, 2015). Out-of-pocket spending remains a heavy burden for many people, especially rural residents. In other words, the reform has not yet made significant progress towards its professed goal of providing affordable care (Cheng, Hong, Ye, Ke, & Yi, 2015; Wang, Liu, Li, & Liu, 2014).

There is increased recognition that the ambitious health reform will fail unless the profit-oriented and inefficient hospital system, the ultimate driver of China's double-digit medical cost explosion, is overhauled (Yip & Hsiao, 2009). But hospital reform has been rather slow, reflecting the government's inability to identify an overarching and viable roadmap. Realigning the series of perverse incentives that have been embedded in the hospital system for decades is a formidable mission in light of strong resistance from vested interests (Barber, Borowitz, Bekedam, & Ma, 2014; He & Meng, 2015). The central government has encouraged local pilot studies to try out different reform initiatives.

### 3 CASE STUDY: SANMING CITY, ITS HEALTH REFORM, AND THE POLICY ENTREPRENEUR

Located in the hinterland of coastal Fujian Province, Sanming is a young city that was established in the 1950s and designated for heavy industries, particularly iron and steel, and chemical industries. As of 2015, this prefectural city had a population of 2.5 million. Many of its urban residents are employed by state-owned enterprises (SOEs). Despite its enviable prosperity under the planned economy, Sanming's state-owned and heavy industry-dominated economy soon proved uncompetitive following the market transition, leading to a significant drop in SOE revenues and a massive layoff of workers. The annual per capita disposable income of Sanming residents in 2015 was 10,454 *yuan*, whereas the provincial average was 13,197 *yuan*.<sup>1</sup>

Mainly due to the legacies of its state-owned economy, Sanming has a particularly large retired population, with an elderly support ratio of 1.73 as low. This has put immense financial pressure on the city's health insurance system. In addition to this ageing population, hospitals' strong profit-seeking incentives also fuelled rapid cost escalation. Total health expenditure jumped by 53.9% between 2008 and 2011.<sup>2</sup> The UEBHI alone ran a deficit of 143 million *yuan* in 2010, which increased to 208 million over the next year. Three social health insurance schemes owed public hospitals 17.5 million *yuan* before the reform commenced. According to the government's estimations, bailing out the insurance funds would require close to 15% of its annual budget, a sum that is certainly beyond its means.<sup>3</sup>

This danger of bankruptcy triggered a grave health policy crisis that made reform imperative. The mayor and the party secretary entrusted

Mr. Zhan Jifu, then deputy mayor of Sanming and the central figure of this chapter, with a leading role. Launched in 2011, the reform has made significant achievements in containing medical cost inflation, rationalizing physicians' behaviours and alleviating the health insurance funds' financial crisis. Exemplifying an innovative approach to health reform, the "Sanming Model" has become highly recognized by the central leadership, as well as by international organizations. For instance, in Premier Li Keqiang's meeting with Jim Yong Kim, President of the World Bank, both parties gave very high evaluations of the Sanming Model,<sup>4</sup> which was also positively recognized by a WHO delegation after its visit in Sanming.<sup>5</sup> The Communist Party's mouthpieces, including *Qinshi*, *People's Daily*, Xinhua News Agency and China Central Television (CCTV), offered extensive coverage of the reform, indicating the central leadership's support.<sup>6</sup>

The central figure of this chapter is Mr. Zhan Jifu. A Sanming native, Zhan spent the first 25 years of his political career in his hometown before being promoted to the provincial level in 2007. He had ten years of experience in the Food and Drug Administration (FDA), first in Sanming and later in provincial government. Zhan also served as associate director of the Fujian Provincial FDA from 2007 to 2011, prior to his appointment as the vice mayor of Sanming. The difficulties of health reform often lie in its technical complexities and the expertise required on the part of reformers (Roberts et al., 2004). Many failed reform efforts are attributable to the reformers' lack of professional knowledge and analytical capacity (Ramesh, Wu, & He, 2014). The poor governance of the Chinese pharmaceutical market, which is in part responsible for expensive access to care and rapid inflation of drug prices, is well known to the health policy research community (Sun, Santoro, Meng, Liu, & Eggleston, 2008). Zhan's valuable experience in the FDA equipped him with essential knowledge on this point, making him the ideal person to play a central role in the reform; his unique personal background has inevitably shaped the content of the reform. In August 2013, after two years' service as vice mayor, Zhan was appointed as the Standing Committee member of the CPC Sanming City Committee, and as the director of its Publicity Department.<sup>7</sup> During the writing of this chapter (August 2016), the provincial government announced the establishment of the Fujian Health Care Management Commission, a significant policy move inspired by the Sanming experience, and Zhan was appointed as the inaugural senior director.

#### 4 BUREAUCRATIC FRAGMENTATION, CONSOLIDATION AND TEAM-BUILDING

The Chinese health system is very fragmented. Aside from a dozen top hospitals directly owned by the Ministry of Health, each level of local government has ownership of public medical facilities in its jurisdiction. Complicating this fragmentation is the existence of many hospitals owned by SOEs, the People's Liberation Army and other sectoral institutions, as well as private hospitals. Health reform tends to be difficult because many hospitals are not required to take orders from local health administrations, which do not own them. This institutional legacy is less pronounced in Sanming because the big providers are all public hospitals owned by the municipal government, allowing the latter to require compliance by administrative mandate. Therefore, the health system's fragmentation actually puts the Sanming government in a favourable position to tweak the system, so long as government leaders are determined to do so. As Zhan repeatedly emphasizes, "[n]othing would have happened without firm political support from the party secretary and the mayor".<sup>8</sup>

However, the governance of health is arguably more complex than hospital ownership, as a multitude of government departments are involved. This horizontal fragmentation involves the health bureaucracy that manages professional affairs, the social security bureaucracy in charge of social health insurance, the finance bureaucracy in control of hospital funding, the planning bureaucracy in charge of investment and big project decisions, the personnel bureaucracy in control of staff recruitment, the civil affairs bureaucracy that administers medical assistance programmes and so on.<sup>9</sup> This bureaucratic fragmentation leads to remarkable difficulties in interdepartmental coordination. The "buck-passing" game and policy "deadlock" often result in delayed decision-making or even inaction (He, 2012; Hsiao, 2007; Huang, 2009). Although it is supposed to be leading health policymaking, in reality, the health bureaucracy has little control of agenda setting, due to its low status and weak bureaucratic power (Aitchison, 1997).

Among the agencies mentioned above, two are particularly powerful. The finance bureaucracy, as the government's treasurer, always enjoys a high status, and has a big say in health policymaking, as few reforms have no fiscal implications (Aitchison, 1997). The other is the social security bureaucracy, whose power resides in its authority to manage urban health insurance funds (UEBMI and URBMI), which are increasingly the



primary source of hospitals' incomes. As the biggest investor in hospitals, the social security bureaucracy has significant influence on their behaviours. It would be extremely hard to enact any health reform without its cooperation.<sup>10</sup> Unfortunately, as part of the legacy inherited from the planned economy, these bureaucracies typically belong to different "portfolios" (*kou*) within the Chinese administrative machinery, and are headed by different government chiefs, making policy coordination even more difficult (He, 2012). The "science, education, culture and health portfolio" to which the health bureaucracy belongs, historically enjoys lower prestige and less power. Understanding this, Zhan insisted from the very beginning on a major streamlining drive to consolidate the municipal health bureau and human resources and social security bureau into the same portfolio, with himself in charge, as the vice mayor. This has largely overcome bureaucratic conflicts that could result from fragmentation. Roberts et al. (2004) have insightfully noted:

Fixing the health sector is not easy. Many parts and pieces are interrelated and many consequences occur. Designing a comprehensive health reform is a complex technical process. Reformers often seek to improve many parts of the system at the same time, making both the details and the overall impact of the program difficult for non-experts to grasp. (p.68)

Entrepreneurs in health reform often need a multidisciplinary team with strong expertise capable of formulating and implementing new initiatives (Oborn et al., 2011). Many of the past failures of uncoordinated piecemeal reforms in China suggest that too many parts of the health system are defective, creating a policy gridlock where problem A must be solved in order to solve problem B, but problem B requires a solution to problem C, and the solution to problem C depends on finding a solution to problem A. This gridlock is partly due to bureaucratic fragmentation (He, 2011). Soon after Zhan was entrusted by municipal leaders to head the reform,<sup>11</sup> he set up a steering group, inviting on board the senior officials of all the departments involved. Headed by Zhan himself, this interdisciplinary and interdepartmental team is at the centre of the reform. As Zhang, a group member, noted:

Apart from Mr Zhan, all of us represent relevant bureaus and departments. The government has given us substantive authority. This group is a great platform for discussion and deliberation. It enables us not only to represent

but also to mediate the positions as well as interests of our own line bureaus. All the key policy documents introduced so far have been announced by us [the steering group].<sup>12</sup>

Aside from the vertical and horizontal bureaucratic fragmentation, China's health insurance system is also fragmented. Three schemes cover different groups of the population and provide differential benefit packages, which have been long criticized as a major obstacle to equity and efficiency (He & Wu, 2016). This is complicated by the fact that the urban schemes (URBMI and UEBMI) are governed by the social security bureaucracy, whereas the rural scheme (NCMS) is administered by the health bureaucracy. Poor coordination on the part of the insurers has enabled hospitals to manipulate the system with various undesired behaviours, leading to inefficiencies and cost escalation (He & Wu, 2016). Despite calls for consolidation, progress nationwide was rather slow until early 2016, in part due to the lack of central policy guidelines and bureaucratic conflicts between the social security and health bureaucracies, neither of which wished to relinquish its control over the gigantic insurance funds.<sup>13</sup>

Zhan was determined to change the status quo. He insisted on the necessity of consolidating all health insurance schemes to the party secretary and mayor. Despite their support, however, progress was difficult as there were very few precedents elsewhere in China. Most importantly, all health insurance schemes are governed by central regulations promulgated by the National People's Congress and the State Council. Major administrative restructuring would run the risk of violating central policies. Moreover, the municipal health bureau and the human resources and social security bureau are not only answerable to the municipal government (their territorial superior), but also to the central ministries and provincial bureaus (their professional superiors), which expressed strong objections.<sup>14</sup>

An effective policy entrepreneur is often found to be flexible and ready to make compromises (Oborn et al., 2011). In realizing the bureaucratic conflicts between the two bureaucracies, Zhan cleverly found a more powerful bureaucratic middleman, the municipal finance bureau, as a temporary solution. With support from municipal leaders, Sanming established a health insurance management centre and designated the finance bureau as the provisional custodian. The centre consolidated management of NCMS, URBMI and UEBMI, and was given considerable autonomy. The

advantages of this were obvious. First, the consolidation of insurance pools has improved the financial health of insurance against deficit risks. Second, 26 insurance management offices were consolidated into one, substantially reducing the high administrative costs. Third, and most important, hospitals began to face a single insurer with greater negotiation power, and their opportunistic behaviours could largely be curbed. Tightening up the budget, the centre introduced a series of measures, such as case-mix and *per diem* payment, among others, in order to contain costs.<sup>15</sup>

This bold move naturally encountered resistance from the social security bureaucracy, whose political interest lies in its power to manage insurance funds (Hsiao, 2007). In his visit to Fujian, the then Vice Minister of Human Resources and Social Security clearly expressed the ministry's reservations regarding Sanming's reform, which was said to have violated the Social Security Law in terms of the statutory managerial authority of urban health insurance.<sup>16</sup> In his encounter with the vice minister, Zhan firmly defended Sanming's position, arguing that the law could not adapt successfully to fast-changing situations and local needs, and that difficult reforms would have no chance of success unless innovative methods were permitted. He stated in interview that "Notwithstanding the opposition from the ministry and the provincial [social security] bureau, we went on steadfastly, thanks to the unconditional support of the [municipal] party secretary and the mayor!"<sup>17</sup>

## 5 REFRAMING THE ISSUE AND ATTACKING VESTED INTERESTS

For the reasons analysed above, dwindling government subsidies have forced Chinese hospitals to offer a vast number of unnecessary services in order to survive and thrive. Approximately 40% of their income was earned from the sale of medication, a situation rarely seen in other health systems. Besides the ubiquitous overprescription driven by financial incentives, the poorly governed pharmaceutical market is another fundamental, but less well known, source of chaos (Sun et al., 2008). Poor price regulation and rampant corruption in virtually every stage of the production and distribution chain combine to fuel escalating drug prices. The ill-designed price schedule overprices new brand-name drugs, while setting the prices of basic pharmaceuticals low, leaving doctors with greater incentives to

overprescribe expensive drugs. A 15% mark-up used to be provided to hospitals, which further fuelled price inflation. Most government efforts to control drug prices in the past have either had limited or temporary effects, or ended in outright failure (Meng et al., 2005; Yu, Cheng, Shi, & Yu, 2010).

Zhan distinguishes himself from other reformers with his very strong commitment to starting reform with pharmaceuticals. In China, many previous debates regarding the right way to carry out health reform were narrowly framed within the perspective of how to increase government funding and where to spend it (Ho, 2010). Yet, savvy reformers clearly understand that any additional funds would be soon absorbed by providers' insatiable appetites, unless the fundamental incentives are realigned (He, 2011; Yip & Hsiao, 2008). In Sanming, the government could by no means afford to make any significant budgetary input into health.<sup>18</sup> His long service in the FDA gave Zhan a thorough insider's understanding of the fundamental problems of the system as a whole. His diagnosis was as follows:

Yes, it's true that government funding needs to be increased but, unfortunately, our [Sanming's] government is too poor to do it. More importantly, government funding is not the only key to addressing the root causes of *kanbing gui* and *kanbing nan*. The key is to significantly reduce the waste that is being created in our hospitals every day! Just look how many unnecessary drugs are being prescribed to patients and how many unnecessary tests are being ordered every day! Health care would soon become affordable again if this wastage were eliminated. How? Two ways. First, we must normalize doctors' behaviours by correcting their incentives to overprescribe. Second, and more fundamentally, the chaos of the pharmaceutical market must be cleared up. You outsiders don't know how enormous their profits are. A product worth several *yuan* in exit price can easily be sold at several hundred *yuan* in hospital pharmacies. All of them are eventually paid for by patients. There is a huge flock of corrupted power in this arena, and our reform will declare a war against them!<sup>19</sup>

Zhan has frequently stressed that it is not an absolute necessity to increase government funding in order to address *kanbing gui* and *kanbing nan*, but, rather, the key lies in reducing the massive endemic wastage. This position was greatly appreciated by the municipal leaders and the finance bureaucracy, all of whom were delighted to hear that no additional budget was needed. As a fiscally conservative bureaucracy, the Ministry of

Finance has in the past shown great support for health reforms that could reduce government budgets (Aitchison, 1997). More important, the ministry's high political status could help dispel opposition. Later on, the finance bureau became Zhan's strongest supporter. "Both the provincial finance bureau and the Ministry of Finance gave us great encouragement".<sup>20</sup> The coalition with the finance bureaucracy became a good shield when Zhan and his team were wrestling with the health and social security bureaucracies. While the reform was struggling amid increasingly tense controversies in 2013, several supportive policy memos from the Ministry of Finance helped Sanming gain the attention of top leaders.

A successful policy entrepreneur is adept at framing an issue in such a way as to change the conventional perceptions of the causes of the problem and new solutions, and this helps to present a new vision and create a larger rhetorical space (Mintrom & Norman, 2009; Roberts et al., 2004; Roberts & King, 1991). Zhan repeatedly emphasized that "reduce the waste" would soon curb the excessively high prices of pharmaceutical products, which, in turn, would help improve the affordability of health care. Zhan's framing of the issue is not only reasonably compelling, but also appeals to public sentiment against the "greedy" pharmaceutical industry,<sup>21</sup> especially sales agents. Moreover, built upon the rich experiences he gained in the FDA, this new narrative furnished Zhan with a greater sense of authority. His knowledge about the pharmaceutical industry turned out to be a good shield for Zhan against harsh questioning.<sup>22</sup> Moreover, his framing of the reform as a combat against corruption further placed him on the moral high ground and gave the reform political cover, in light of the current anti-corruption climate of the Xi Jinping era.

Zhan's tactic to reduce inflated drug prices was to revamp the government's pharmaceutical procurement system. However, the production and distribution chain involves too many processes and players, most of which are beyond the control of the municipal authorities. In the late 1990s, the central government initiated a series of reforms to centralize the procurement of pharmaceutical products in order to contain the rapid rise of drug prices. Provincial health bureaus were authorized to organize bidding exercises, through which public facilities within their jurisdictions could procure medicines. Unfortunately, there is little evidence that central bidding has increased competition among companies or controlled price increases (Sun et al., 2008). Knowing the truth of the situation, Zhan contended that provincial bidding posed too many corruption risks

and could not rein in escalating drug prices. He wanted to set up a procurement system for Sanming.

This idea was strongly opposed by the provincial health bureau as it not only implied the failure of the latter's own system and tarnished its image due to the corruption claims implicit within it, but it would also undermine its own bureaucratic power if every city were to "dine in its own pot".<sup>23</sup> The provincial health bureau cited that no precedent elsewhere could justify this proposed bold move, let alone its risk of violating central regulations.<sup>24</sup> Successful entrepreneurs often demonstrate pragmatism and willingness to compromise. Unable to proceed without the bureau's permission, Zhan embarked on a creative path to circumvent the regulations. He named it "second bidding"; though it recognizes the pharmaceutical products that won the provincial bidding, Sanming conducts a second-round selection. Within the provincial basket, the product with the lowest prices wins the contract, among a handful of drugs of the same chemical formula.

Part of the reason for the explosion of drug prices in China was the proliferation of intermediaries in the market (Sun et al., 2008; Yu et al., 2010). As an expert, Zhan was clearly aware of this. The new system stipulated that products distributed by more than two layers of intermediaries before entering Sanming would be automatically disqualified from the "second bidding" exercise. This new procurement system resulted in a more than 50% reduction in average drug prices. As the province's bidding results had not yet been disregarded, the provincial health bureau "couldn't openly express opposition any more".<sup>25</sup> Yet Zhan's reform clearly affected the vast profits of pharmaceutical companies and threatened numerous vested interests associated with this line of business. Serious controversies arose, partly abetted by the pharmaceutical industry, as well as by certain doctors who lost part of their grey income earned from drug commissions.<sup>26</sup>

## 6 REFORM OUTCOMES

The reform had remarkable outcomes. Following the significant reduction in drug prices, hospital revenues earned from drug sales declined from 0.79 billion *yuan* in 2011 to 0.61 billion *yuan* in 2014, and the percentage of total revenues represented by drug sales dropped from 46.7% to 27.4% in 2014.<sup>27</sup> This loss of income was largely compensated by the upward adjustment of the distorted fee schedule for medical services, to

**Table 5.1** Cost profiles of public hospitals in Sanming, 2011–2014

	2011	2012	2013	2014
Average cost per outpatient	120	120	128	140
Average cost per inpatient (UEBMI)	6553	5805	5084	5224
Average out-of-pocket cost per inpatient (UEBMI)	1818	1721	1518	1636
Average cost per inpatient (URBMI)	4082	4156	3876	4081
Average out-of-pocket costs per inpatient (URBMI)	2194	1848	1561	1725

Unit: *yuan*

Source: *The Practices of Comprehensive Public Hospital Reform in Sanming City*, 2015, pp. 9–10

Note: The reform was launched in late 2011

better reflect the value of doctors' work. Table 5.1 presents average cost profiles from 2011 to 2014. While outpatient costs increased slightly because of the price adjustment for medical services, such as registration fees, inpatient costs have seen a significant reduction since the reform. Table 5.2 shows that, in 2014, the average costs of outpatient consultation, inpatient stay, and pharmaceuticals in Sanming's public hospitals were systematically lower than the average of provincial hospitals, in facilities of every level. Out-of-pocket burden has also been significantly relieved. Most importantly, "reduce the waste" has not only helped health insurance budgets break even, but has actually allowed them to accumulate a surplus—86 million yuan by 2014<sup>28</sup>—in striking contrast to the sizeable deficit prior to the reform.

## 7 TURNING THE TIDE

Controversies arose in the provincial government in 2012, which were further fuelled by the lobbying of pharmaceutical companies. Initially suspicious, in 2013 the provincial government decided to dispatch an inter-departmental auditing team to scrutinize Sanming's reform, which was interpreted by Zhan and his associates as a warning, although the audit discovered no irregularity.<sup>29</sup> This warning signal was further reinforced when Zhan learned of the private words of a senior provincial leader, who indicated a clear disapproval of the reform. In Zhan's words, "[t]he reform was almost snuffed out in its infancy".<sup>30</sup>

As Jones et al. (2016) maintain, entrepreneurial success depends not only on the resources and strategies employed, but also on entrepreneurs' access to critical decision-makers. A breakthrough for Sanming came

**Table 5.2** Cost profiles of three levels of hospitals, 2014

		<i>Province</i>	<i>Provincial hospitals</i>	<i>Sanming</i>
Tertiary facilities	Average cost per outpatient/drug cost	230.26/113.65	276.37/139.84	160.24/65.86
	Average cost per inpatient/drug cost	11826.23/4586.72	16875.55/7171.43	6806.75/1647.00
Secondary facilities	Average cost per outpatient/drug cost	140.79/69.61	–	129.19/47.47
	Average cost per inpatient/drug cost	4236.25/1613.52	–	3906.95/787.45
Primary facilities	Average cost per outpatient/drug cost	150.87/68.83	–	119.62/37.19
	Average cost per inpatient/drug cost	5353.78/1979.72	–	2941.33/336.66

Unit: *yuan*Source: *The Practices of Comprehensive Public Hospital Reform in Sanming City*, 2015, p. 14

unexpectedly. Zhan was invited by the central government's Health Reform Office to a sharing session in October 2013 in Beijing, attended by Vice Premier Liu Yandong, the top government leader steering national health reform. Zhan seized this opportunity to present Sanming's reform directly to Liu. Impressed by this "innovative" approach, Liu immediately instructed the State Council General Office to schedule a field visit to Sanming. Her visit in February 2014 eventually proved to be a turning point. Accompanied by senior officials from relevant central ministries and provincial leaders, Liu was convinced by both Zhan's framing of the policy issue and the actual steps that had been taken. Most importantly, the self-evident outcome of addressing *kanbing gui* and *kanbing nan* served as Zhan's best testimonial. Liu expressed her firm support and required



central ministries to provide greater support. Senior officials of the State Council Health Reform Office, Ministry of Finance, Ministry of Health, and Ministry of Human Resources and Social Security also showed recognition after Liu had set the tone.<sup>31</sup> Politics began to line up favourably.

Strong political support dramatically changed the external environment for Sanming. The Ministry of Finance designated Sanming as one of the national pilot cities for public hospital reform, directly steered by the centre. This designation was not merely symbolic for it implied greater autonomy conferred by the central government to try “bolder” reforms. A national forum of public hospital reform was held in Sanming in June 2014, during which the city was given a good opportunity to showcase its success. Sanming was lauded as offering “invaluable experiences of comprehensive concerted reform” for the country.<sup>32</sup> Many of Zhan’s core reform ideas were also incorporated into the national policy guidelines of public hospital reform, as issued by the State Council.

## 8 DISCUSSION AND CONCLUSION

By examining the work of one Chinese policy entrepreneur and his team, this case study illustrates the entrepreneurial strategies employed to push for local health reform and the underlying institutional logic. Clearly, fragmented bureaucracy remains a key structural factor influencing local policy innovations in authoritarian China. While horizontal bureaucratic cleavages tend to impede reforms, vertical decentralization has provided considerable space for policy entrepreneurs to manoeuvre, as fragmentation is skewed towards local governments. Although China remains a unitary state, the series of decentralization reforms enacted since the 1980s to promote economic growth have greatly empowered local governments, thus creating a *de facto* federalist structure (Zheng, 2007). In this case, firm political support from local leaders provided the strongest backup for the reform, with which the entrepreneur was able to overcome the bureaucratic opposition of provincial line bureaus and even central ministries.

While fragmentation provides fissures which must be navigated, it may also hamper reform in the stages of policy formulation and implementation. The consolidation of administrative authorities into a steering group with comprehensive power was necessary. This enabled the entrepreneur to better engage stakeholders and broker between various lines of bureaucratic interests. The entrepreneur manifested an outstanding ability to team-build, so that the reform was not merely led by a charismatic

reformer, but also by a strong cadre corps with prominent advantages in terms of policy authority and professional expertise.

Health reform often occurs in the context of a crisis, which provides an opportunity to put an issue on the policy agenda. The urgency of reform tends to require a bold initiative, while public attention is focused on the crisis and supporting forces are mobilized (Roberts et al., 2004). The window of opportunity may not open automatically, however, and greatly depends on the effective use of entrepreneurial strategies. The literature has identified several activities often used by policy entrepreneurs to promote changes, including identifying problems, shaping the terms of policy debates, networking in policy circles, and building coalitions (Mintrom & Vergari, 1996). All these entrepreneurial activities are reflected in this case study. For instance, the policy entrepreneur was clearly an excellent issue framer. By changing the perception of the problem and the solution, Zhan was able to identify the root causes of past policy failures and boil them down to a portable narrative that provided a new vision of possibilities (Mertha, 2009). Apparently informed by his personal experiences, the entrepreneur's astute framing of the entire issue as "waste reduction" and a "fight" against medical corruption established a fresh and persuasive narrative, powerfully shaping the context of policy discourse, which eventually received recognition from Beijing. Top leaders were convinced that the chronic problems at hand were not irresolvable.

Ensuring that health reform is adopted is not just a matter of political commitment, but a matter of effective political strategy and coalition building. A useful strategy is to articulate a specific element of the policy in order to encourage various key actors to take a favourable stance, to switch sides, or to soften their opposition to the reform at hand (Roberts et al., 2004). In this case, the new perceptions created by the entrepreneur provided him with greater leverage to manoeuvre within the fragmented bureaucracy and to shop for potential supporters. Building coalitions with powerful bureaucracies turned out to be one of the most successful tactics adopted by the entrepreneur and his team. The finance bureaucracy's privileged status within the government hierarchy and its enthusiastic support of the reform helped to open the policy window and dispelled a great deal of opposition.

Passing health reforms often necessitates overcoming or deflecting powerful vested interests that will vigorously defend their position. Present in this case were not only the social security and the health bureaucracies, which saw their power undermined, but also the vested interests of the

profitable pharmaceutical industry. To the best of my knowledge, in the past, virtually no local health reform in China challenged the interests of this powerful industry. It required a great deal of determination and courage on the part of reformers.

It must be acknowledged that the eventual opening of the policy window was somewhat opportunistic. Had Vice Premier Liu not shown a strong interest, the end of the story may have been rather different. While the Chinese leaders have shown considerable tolerance of aggressive local policy experiments, undertaking innovation is still inherently associated with uncertainties and political risk, not to mention attacks from vested interests. The ultimate failure of many innovative reforms is understandable. However, what makes China distinct from many Western democracies is the existence of a strong central government that is powerful enough to support aggressive reforms deemed necessary. This case study, for example, clearly shows the importance of the power of veto exercised by Vice Premier Liu.

Nevertheless, the overriding of top leaders does not defeat the generalizability of single cases. Policy entrepreneurs are “surfers waiting for the big wave” (Kingdon, 1995) but, as can be seen in this case study, they don’t always wait passively for the wave to come; some actively engage multiple networks and innovatively shape the context, as well as the content of policy development, within the established institutional structure. As Mintrom and Norman (2009) elucidated, the likelihood of policy change is affected by key contextual variables and by policy entrepreneurs’ actions within those contexts. More recent research has moved beyond this rather narrow policy context, and shown the utility of interactions among structural and institutional contexts with agency-level enabling conditions in informing institutional work (Bakir, 2013; Bakir & Jarvis, forthcoming 2017). However, in cases where contextual variables appear to reduce the likelihood of change occurring, the actions of effective policy entrepreneurs could be decisive. This case study provides a good example of successful manoeuvres.

Another key insight emerging from this case study is that, though he was operating within a fragmented bureaucracy, the entrepreneur did not take this for granted, but proactively reshaped it to pave the way for reform. The way in which he continuously pushed the envelope reveals the malleability of institutional structure at the local level in authoritarian China. The fluidity of the interactional patterns between structure and agent can be considerably increased by the latter’s entrepreneurial manoeuvres.

## NOTES

1. “Ranking of per capita disposable income in the first half of 2015: Xiamen No. 1, Pingtan No. 4”, Lanfang Wang, 30 July 2015, available at <http://fz.lanfw.com/2015/0730/288663.html> (accessed on 22 January 2016). 1 US\$ was equivalent to 6.65 Chinese  *yuan* (RMB) as of August 2016.
2. “Work Report of Comprehensive Public Hospital Reform of Sanming City”, October 2010.
3. Ibid.
4. “Premier Li meets Jim Yong Kim, President of the World Bank”, *Public Finance Brief*, Supplement No. 61, 20 July 2015.
5. “Investigating Sanming’s health care reform, WHO officials gave high evaluation”, *Sanming Daily*, 4 June 2015.
6. “The ‘three returns’ of Sanming’s health care reform”, *People’s Daily*, 27 October 2015, available at [http://paper.people.com.cn/rmrb/html/2015-10/27/nw.D110000renmrb\\_20151027\\_7-01.htm](http://paper.people.com.cn/rmrb/html/2015-10/27/nw.D110000renmrb_20151027_7-01.htm) (accessed on February 2, 2016); “Time to deepen health care reform: Lessons from Sanming”, *Qiushi*, 7, 2015, available at [http://www.qstheory.cn/dukan/qs/2015-03/31/c\\_1114786929.htm](http://www.qstheory.cn/dukan/qs/2015-03/31/c_1114786929.htm) (accessed on February 2, 2016).
7. In the Chinese political system, the membership of a CPC branch’s standing committee is associated with higher prestige. Vice government chiefs without this membership are considered to be inferior to party cadres who have seats on the committee, even when they are of the same administrative rank. As such, Zhan’s new appointment was considered to be a promotion, although he no longer held a government position.
8. Interviews with Zhan (SM-Nov-1, SM-Nov-2).
9. Interview with Q (FJ-Dec-1).
10. Interviews with Q (FJ-Dec-1), X (FJ-Dec-2), L (FJ-Dec-3).
11. Prior to this assignment, Zhan’s duty as vice mayor was mainly to oversee agricultural affairs.
12. Interview with Zhang (SM-Dec-1).
13. Interviews with Q (FJ-Dec-1), X (FJ-Dec-2).
14. Interviews with Zhan (SM-Nov-1), Wang (SM-Nov-3).
15. *Policy documents of Public Hospital Reform of Sanming (February 2012 to September 2015)*.
16. See Wang Dongjin, “A critical examination of health reform in Sanming”, The Chinese Health Insurance Research Association, available at <http://www.chira.org.cn/?viewshow/tp/8/did/7378.html> (accessed 15 February 2016).
17. Interviews with Zhan (SM-Nov-1, SM-Nov-2).
18. Interview with Zhang (SM-Dec-1); interviews with Zhan (SM-Nov-1, SM-Nov-2).

19. Interview with Zhan (SM-Nov-2).
20. Interview with Zhang (SM-Dec-1); interview with Wang (SM-Nov-3).
21. Prior to the reform, at least eight hospital directors in Sanming had been arrested due to corruption scandals related to drug procurement.
22. Interview with Y (SM-Nov-4).
23. Interview with Zhan (SM-Nov-1).
24. Interview with Q (FJ-Dec-1).
25. Interview with Wang (SM-Nov-3).
26. Interviews with H (SM-Dec-2) and L (SM-Dec-3).
27. "Work Report of Comprehensive Public Hospital Reform of Sanming City", October 2010.
28. "2014 follow-up analysis on public hospital reform of Sanming City", Health Development Research Center, the State Commission of Health and Family Planning, February 2015.
29. Interview with Wang (SM-Nov-3).
30. Interview with Zhan (SM-Nov-1).
31. Speeches by senior officials from various central ministries in Fujian, February 2014.
32. Speech by Mr. Wang Bao'an, the then Vice Minister of Finance, at the forum, 13 June 2014.

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# Political Entrepreneurship and Policy Change in the End of Life Debate in Israel

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## I INTRODUCTION

The issue of dying with dignity has gained broad public resonance in recent decades due to technological developments that have steadily raised average life expectancy, and the deepening internalization of liberal rights discourse in society. Along with these developments, the involvement of institutional entrepreneurship in policy change has been increasing too. Some countries have already regulated dying with dignity in various ways (for example, Oregon legalized assisted suicide in 1998; the Netherlands legalized active euthanasia in 2001). Nevertheless, until 2000, this issue was not regulated in Israel, leaving it in the hands of the court system. That year, Israeli Health Minister Benizri announced the establishment of a public professional committee to compile a comprehensive bill on the matter, which led to a process of thorough legislation that was concluded at the end of 2005, when the Dying Patient Law underwent a second and third reading in the Israeli Parliament (Knesset).

The arrival of the “patient nearing death” issue on the policymakers’ agenda invites a fascinating examination of policy entrepreneurs’ crucial role in this process. Based on the literature addressing entrepreneurship in

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politics and policy, and using John Kingdon's agenda-setting model (1984), this chapter presents an analysis of the process by which this issue came to be regulated, led by policy entrepreneurs emulating Kingdon's model. The state of Israel is defined in its declaration of independence and in its basic laws as "Jewish and democratic", but the operational meaning of this unique combination was never agreed on, thus bringing about serious disputes. In Jewish religious law, human life is sacred, infinite and is not given to division or relativity. Over the years, this meaning of Jewish law penetrated into the legal system in Israel and manifested in various laws. In such circumstances, policymakers usually prefer non-decision, which hinders policy change and thus offers extreme challenges to entrepreneurs.

While Kingdon's model was developed in the American context on the basis of local data, this chapter adds to the empirical literature on its use in different political contexts. Furthermore, it highlights policy entrepreneurs' role in the public policy process, focusing on the agenda-setting phase.

The chapter is organized as follows. It opens with a discussion of policy entrepreneurs in political science and policy studies. Kingdon's discussion of policy entrepreneurs is then presented, accompanied by the streams agenda-setting model, followed by a brief discussion of the development of the issue and its current status. The second section analyses the case of the dying patient act, while differentiating between the three policy entrepreneurs and the three streams. The last section offers conclusions and a summary.

This study used qualitative methods for an empirical examination of a theory-guided case study, which is "explicitly structured by a well-developed conceptual framework that focuses attention on some theoretically specified aspects of reality and neglects others" (Levy, 2008, p. 4). The reason for choosing this specific issue is that in Israel, where there is no separation between religion and state, the issue of the dying patient is even more complex than elsewhere. These circumstances provide a unique opportunity to highlight institutional entrepreneurship in a challenging arena. The data in this study were collected using two tools. First, data were collected through a series of semi-structured interviews and from existing sources—written or online. Twenty interviews were conducted in face-to-face meetings with respondents identified by convenience sampling. Some of the respondents were asked to recommend others who could expand upon or add to the information that emerged during their

interview (snowball sampling). This method was beneficial because it allowed the researcher to focus on the important issues that were being investigated, while simultaneously leaving space for elaboration on new issues that emerged, but might not have been noted previously. Hospital administrators, doctors, a former director of the Ministry of Health and Knesset members past and present were interviewed. The data were analysed qualitatively through major themes emerging from the interviews, focusing on each actor's interests. Additional data included protocols from the committee for formulating a bill for the near-death patient, articles and reports from daily newspapers and websites, reports from the State Comptroller and court judgements. These sources enabled the mapping of the relevant actors for analysis of the case study, added and completed data that did not emerge in the interviews, and served the purpose of cross-referencing data that emerged in the interviews with other existing data sources. Combining the findings from two separate sources of information at the end of the process allowed in-depth analysis; it gives a broad and comprehensive picture of the reality and enables one to derive broader insights.

## 2 ENTREPRENEURSHIP IN POLICY AND POLITICS

The common use of the term “entrepreneurship” is almost automatically associated with economics and with the business world. This is not surprising if we consider that the term originated in French economics some 300 years ago, when it signified the undertaking of an activity related to economic progress by finding new and better ways of doing things (Dees, 1998); in other words, the entrepreneur must be creative though he is not an inventor (McCaffrey & Salerno, 2011). Contemporary researchers in the fields of management and business define an entrepreneur as someone who seeks opportunity for change, responds to it, and exploits it. According to this definition, where the average person sees problems, the entrepreneur sees an opportunity to create value (Drucker, 1985). The entrepreneur's pursuit of opportunity and reaction to it is constantly happening in an environment of limited resources such as money, human resources, and machines (Hart, Stevenson, & Dial, 1995).

The study of entrepreneurship in political science and policy studies has grown rapidly in recent decades while researchers continue to debate its definition. The term “political entrepreneur” was traditionally associated with Robert Dahl's writing about the changing structure of the local

governance of New Haven (Dahl, 1961). Since then, the term has been used in a variety of contexts, with entrepreneurship in the political arena has sometimes been described as “policy entrepreneurship” (Kingdon, 1984; Roberts & King, 1991), “public entrepreneurship” (Schneider, Teske, & Mintrom, 1995), and “institutional entrepreneurship” (Campbell, 2004). According to Petridou, Aflaki, and Miles (2015), all these terms describe: “the conduct of public affairs, governance, policy making, and the distribution of public goods” (p. 1). Bakir (2009) conceptualized policy entrepreneurs as “agents mobilizing various ideas and discourse for policy and institutional changes, resolving conflicts within and among policy communities, and steering the implementation of policy ideas that they embraced in multilevel governance process” (p. 580). In this definition, Bakir describes the entrepreneur as an actor who is not limited to the agenda-setting stage but pushes for institutional change in all stages of the policymaking process (Bakir, 2009).

The literature on political entrepreneurship is mainly concerned with answering three basic questions: What is a political entrepreneur? Where can we find them? and What strategies do they use?

There is disagreement among researchers regarding what the political entrepreneur is. Yet Meydani (2015, p. 89) argues that there is consensus that the political entrepreneur, whether an individual or a group, identifies the need for change following public dissatisfaction with the status quo and acts to change the rules or the provision of public goods. The narrow view of political entrepreneurship includes only those figures positioned within the formal political system, that is, politicians or bureaucrats promoting innovation in the political arena (Edwards, Jones, Lawton, & Llewellyn, 2002; Lopez, 2002; Mintrom & Norman, 2009; Roberts & King, 1991; Schneider et al., 1995). A broader vision includes other actors, such as social change organizations, social movements, and interest groups as well as individual businessmen or even concerned citizens (Kingdon, 1984; Meydani, 2009; Petridou et al., 2015). For example, Meydani (2011) shows how the High Supreme Court in Israel has served as an active political entrepreneur intervening in government decisions regarding human rights issues.

Political entrepreneurs are active at all levels of governance, from the local up to the national and international levels. They can also be found across political systems and cultures (liberal or non-liberal regimes and democratic, federal, and parliamentary systems). Furthermore, they can be active in all types of policy issues, from economic policy to foreign policy

(Petridou et al., 2015; Sheingate, 2003). Schneider and Teske (1992), for example, highlighted the role of political entrepreneurs in local government, where they can be mayors, members of city councils, interested groups, or unelected city managers. Political entrepreneurs can be seen as a dependent variable, which means that they are the agent of change or an independent variable, which means that they are one of the factors influencing entrepreneurship itself (Meydani, 2015; Mintrom, 2000; Petridou et al., 2015).

In order to learn about the strategies adopted by political entrepreneurs, we must understand the contextual factors that shape their action (Mintrom & Norman, 2009). Sometimes the context of policy change is more nationally grounded but in other cases the context crosses national borders. Bakir (2009) has shown, for instance, that reform in the central bank of Turkey is an example of policy change resulting from a diffusion of ideas from the international to the national level. Furthermore, besides being aware of the context, we must also consider that entrepreneurs invest their time, energy, reputation, and sometimes money in the hope of a future return (Kingdon, 1995, p. 122).

Recent research shows that institutional entrepreneurship is most likely when policy entrepreneurs are enabled by complementarities arising from structural and institutional contexts and agency-level enabling conditions (e.g., multiple identities) in all stages of public policymaking (Bakir, 2009, 2013, Chaps. 2–4; Bakir & Jarvis, 2017, forthcoming 2018). They must define a specific problem and propose a solution which is in their interest. They must also build a team and create coalitions with other actors in the policy field in order to facilitate the implementation of change. Finally, the entrepreneur is required to lead by example, which means translating the solution into political action while recruiting public opinion (Meydani, 2009; Mintrom & Norman, 2009).

### 3 POLICY ENTREPRENEURS AND INSTITUTIONAL CHANGE: KINGDON'S THEORY OF STREAMS

Kingdon (1984), who attributes policy entrepreneurs (“surfers waiting for the big wave”) a critical role in putting issues on the agenda, points to three categories of characteristics which enable entrepreneurs’ activity: they have some claim to being heard; they are known for their political connections or negotiating skill; they are persistent (Kingdon, 1984).

Kingdon aimed to understand “not only why the agenda is composed as it is at any one point in time but how and why it changes from one time to another” (1995, p. 3). According to his theory, two groups of factors may influence the agenda-setting process. The first is the participant group, which includes the president, Congress, bureaucrats in the executive branch and various forces outside of government (including the media, interest groups, political parties, academics, researchers and the general public). The second group comprises the process elements (streams) by which agendas are set and alternatives specified. This group includes three processes: problem recognition, generation of policy proposals and politics.

In the first process, there is the inexorable march of problems pressing on the system. Various factors might heighten awareness of a problem; for example, a crisis or dramatic event. The second process involves the gradual accumulation of knowledge and perspectives among specialists in a given policy area, and the generation of policy proposals by such specialists. There is a long “softening-up” exercise in which ideas are floated, bills introduced, speeches made, and these undergo a selection procedure in the policy community. The third process includes swings of national mood, vagaries of public opinion, election results and changes of administration. The streams of problems, policies and politics are independent and little related (e.g., policy proposals are developed according to their own incentives and selection criteria, whether or not they are solutions to problems or responsive to political considerations). Political events take place at their own tempo and schedule, regardless of proposals or problems.

Kingdon wrote that partial couplings between two of the streams may occur: “solutions to problems, but without a receptive political climate; politics to proposals, but without a sense that a compelling problem is being solved” (1995, p. 202). Governmental agendas (lists of subjects to which governmental officials are paying serious attention) can be set even in a single stream—either the problems or political stream. For example, officials can pay attention to an important problem without having a solution to it. But, “the probability of an item rising on a decision agenda (a list of subjects that is moving into position for an authoritative decision, such as legislative enactment) is dramatically increased if all three elements are linked in a single package. Conversely, partial couplings are less likely to rise on decision agendas” (Kingdon, 1995, p. 202).

The separate streams converge at certain critical times. Solutions become joined to problems, and both are joined to favourable political forces. The greatest policy changes grow out of this coupling, which is most likely when policy windows (opportunities for pushing proposals or conceptions of problems) are open. According to Kingdon, in this agenda-setting process one can detect residual randomness and planning by one or several policy entrepreneurs. Their most prominent and continuous activity is softening up the public, experts and the policy community, where they raise their ideas as experimental balloons, receive responses and improve them. Simultaneously, they play a major role in coupling the problem stream to the policy stream, and then coupling these to the politics stream. Policy entrepreneurs appear again when the policy window opens and they try to promote their proposals. To a great extent, the coupling of all three streams depends on the appearance of the right entrepreneurs at the right time.

This study is based upon Kingdon's model (1984), which serves as a reference point for many political scientists. One of the reasons for the success of the multiple-streams framework is that "issues have grown even more complex and politically more contestable ... governments in all advanced democracies often do not fully understand the problems they have to deal with and they do not know if the policies they choose will solve the problems at hand" (Zohlnhofer & Rub, 2016, p. 3). Thus, rational problem-solving models are highly unconvincing. Conversely, the multiple-streams framework starts out from these conditions. It opposes the notion of events proceeding neatly in stages, steps or phrases, as expressed, for example, in Down's (1972) issue attention cycle, due to the impossibility of identifying them in a complex political process.

At the same time, criticism had suggested that the model is characterized by overgeneralization and amorphousness, impairing its ability to explain the agenda-setting process (Considine, 1998; Mucciaroni, 1992; Stone, 1989). That is, it does not provide details of the methods which the various actors use, but rather contents itself with noting their respective resources and sources of empowerment (Baumgartner & Jones, 1991). Moreover, the model does not recognize the influence of specific factors on various policy issues, thus reducing its applicability to different areas of public policy. Nevertheless, there has not yet been a systematic attempt to assess the potential of such scholarship. Recently, Zohlnhofer and Rub (2016) brought together a group of international scholars to assess the strengths and weaknesses of the framework from different angles. They

systematically and empirically explored the framework's potential in different national contexts (since it was only illustrated in the US) and in different policy areas. Consequently, the focus of this chapter is to provide a complete explanation of the agenda-setting process and to gain a deeper understanding of the factors influencing the positioning of the different state-religion issues on the policymakers' agenda in the Israeli political context.

#### 4 THE RIGHT TO DIE WITH DIGNITY: THE ISRAELI CASE

In December 2005, the Dying Patient Act passed its second and third readings in the Knesset. Until then, no specific law had regulated the issue of the right to die with dignity. Consequently, between 1987 and 2002, approximately 20 cases were deliberated in the district and supreme courts of Israel. Throughout this period, no continuum of events relating to the issue could be observed. The issue would appear in the headlines every few months, usually following a court petition by a terminally ill person. This seldom led to a discussion by any of the Knesset committees and even more seldom to a bill, both of which would quickly be dropped. This indicates that the issue was not receiving any "serious attention" from policymakers and thus did not make it onto their agenda.

The major change in the issue's position at the policymaking level occurred at a seminar held in February 2000 at Hadassah Hospital in Jerusalem, when the Minister of Health Shlomo Benizri announced the establishment of a 59-member public governmental professional committee to compile a comprehensive bill on the matter (Barilan, 2013; Steinberg & Sprung, 2006). On 18 January 2002, the Dying Patient Act was submitted to the Minister of Health and was passed in December 2005.

The Dying Patient Act (2005) allows a person to give preliminary instructions that will guide his/her treatment in the event that he/she is dying and not competent to refuse treatment. The legal definition of a dying patient is a "patient, for whom the doctor is responsible, [who] has determined that he suffers from an incurable medical condition and that his life expectancy does not exceed six months, even if medical treatment is administered" (Sect. 8a). The premise of the law is that all people want to live, and as long as it has not been proven beyond reasonable doubt that the patient does not want his life prolonged, it is necessary to continue treating him (Sect. 4). There is nothing in the law permitting a deliberate action to kill, or any action that causes death; for example, administering



a fatal drug or aiding suicide (Sects. 19–20). The law prohibits stopping the provision of “continuous medical treatment” that has already begun (e.g., taking away a respirator), since the termination of continuous treatment is seen as an action that could cause the patient’s death. However, the law allows a physician to abstain from providing a new “cyclical medical treatment”, such as dialysis or radiation (Sect. 21).

The history of the evolution of this issue on the agenda is unique. Two decades passed between its first making the headlines and its regulation through a comprehensive, basic law. Although the enactment of the law was a very important step, it can be defined as a finished but not a completed task since the law that was passed is not being enforced. Moreover, since the law does not apply to people whose life expectancy is estimated at more than six months, it excludes certain groups of patients, such as patients diagnosed as being in a vegetative state. Consequently, the potential for the issue to be placed on the agenda once again is twofold and stems from two factors: the desire to enforce it and the desire to widen its applicability.

## 5 POLICY ENTREPRENEURS: THE POWER INSIDE AND OUTSIDE OF THE SYSTEM

Kingdon points to different possible couplings of two streams, each capable of bringing an issue to the policy agenda. In fact, this result can be reached in a single stream; for example, officials may give an issue serious attention without having any solution or a suitable political groundwork, but the chances of an issue being placed on the decision agenda are much higher when all three streams are coupled together, and when no constraints limit the motion. This is more likely to occur when one or more policy entrepreneurs are active in the policy venue. In the case of the Dying Patient Act, three such actors were found to be conducting the processes.

The first policy entrepreneur of the Dying Patient Act was an interest group, LILACH (The Right to Live and Die with Dignity), which has been operating intensively and continuously since 1987. It is noteworthy that this secular-oriented interest group was and still is the only one which deals with this issue. LILACH has an organizational structure characterized by a clear, fixed division of functions and powers, with branches nationwide ([www.lilach.org.il](http://www.lilach.org.il)). At the time the law was legislated,

LILACH numbered about 10,000 members; since then, 7000 more have joined. The majority of members are secular, live in cities all over Israel, and are well acquainted with the Western liberal rights discourse (Bina Divon, interview 2005).

The group's fields of activity are very diverse, and it was active and prominent in all three streams. First, in contrast to Kingdon's findings regarding interest groups' weakness in the process of problem recognition, LILACH was one of the most significant actors in motivating policy-makers to give serious attention to the issue. It has operated a permanent lobby at the Knesset, focusing on Members of the Knesset (MKs) who did not have a firm opinion, or did not have enough knowledge about the issue (Bina Divon, interview 2005). LILACH was not always pro-legislation; it had also considered leaving the matter in the hands of the court system. In the late 1990s, however, LILACH decided to support a legislative process (Bina Divon, interview 2015). Initially, it had wanted to legalize active euthanasia or assisted suicide but, realizing that this was an unachievable target, it was willing to cooperate with a more moderate option. LILACH is also an active participant in deliberations held by the Knesset Health Committee and Constitution Committee, where it has the right of speech. It was involved in formulating all relevant bills, beginning with the Patient's Rights bill, advising and making proposals. Last, to influence public opinion and the political atmosphere, it has been presenting the topic in different venues, including medical schools and nursing schools, homes for the aged, community centres, etc. In addition, in the years before the law was passed, whenever a case relating to the issue arose, the group contacted the media, requesting that it be reported and sending information to the media about events in Israel and abroad on the subject.<sup>1</sup>

Professor Avinoam Reches, the second policy entrepreneur, is a well-known neurologist, and at the time was head of the Israel Neurology Association (since 1999). He was active from the very beginning in making the public and policymakers aware of the need to regulate the issue, and is pushing for an extension of the law. The regulation he seeks is physician-assisted suicide, a bill enacted for the first time in Oregon in 1998. To that end, he has been writing newspaper articles and professional academic papers, in addition to giving lectures to various audiences. Prof. Reches was the initiator and organizer of the conference at which it was decided to establish the public committee.

The third policy entrepreneur was the Minister of Health during the 15th Knesset (1999–2001), Shlomo Benizri, a member of the Ultra-Orthodox party Shas. He was made aware of the issue by LILACH, the media, Prof. Reches and his advisor Rabbi Dr. Mordechai Halperin, who all emphasized the importance of regulating the issue as well as the ability to do so. In light of the extreme opinion of Prof. Reches and LILACH, Minister Benizri decided that he should be involved in the process. In addition, he felt that an issue of such magnitude, one which involves human suffering, should be dealt with and not ignored (Shlomo Benizri, interview 2015). As a first step, he consulted with Rabbi Ovadia Yosef, the top Sephardi religious authority, who was himself interested in the issue, and received his approval to set up a legislation process.

Kingdon explains that the entrepreneur's activity comprises two tasks: advocacy and brokerage. When there is more than one entrepreneur, each usually specializes in one kind of activity. In this case, LILACH and Prof. Reches were heavily engaged in promoting their ideas and making relevant actors aware of them (Bina Divon, Interview 2015; Avinoam Reches, interview 2015). Two of the three characteristics that contribute to entrepreneurs' success are reflected in their activity. First, both have some claim to a hearing: Prof. Reches is an expert in the field and LILACH has legitimacy to speak for others. Second, both are willing to invest large and varied resources. LILACH is a volunteer interest group whose only income is the annual membership fee. Despite this, it always worked intensively and demonstrated outstanding persistence although during its first decade it was delegitimized by large parts of the public, media and policymakers, and its own membership was sceptical about its chances of success (Bina Divon, interview 2015).

Prof. Reches also worked on a voluntary basis and, by virtue of his senior position at the hospital, he was also a member of various public committees. In addition, he promoted his ideas through the media and professional journals, lectured on any podium offered to him and cooperated with LILACH, by providing medical consultation and lecturing on its behalf whenever needed. While they were focusing on advocacy, Minister Benizri, the third entrepreneur, was focusing on brokerage. As an experienced politician, he had political contacts and was known for his negotiating skills, which he used to build a consensus. Like LILACH and Prof. Reches, he also had a claim to a hearing, deriving from his authoritative position in the decision-making process.

## 6 ESTABLISHING THE PUBLIC COMMITTEE AND FORMULATING THE BILL: STREAMS, WINDOWS AND THE DECISION AGENDA

In this section, we describe the three streams in the context of the Dying Patient Act in Israel. The presentation of the different actors who took part in placing the issue on the agenda is integrated into these processes.

### *6.1 The Problem Stream: Problem Recognition Process*

According to Kingdon (1984), there are policy fields in which a focusing event is necessary to make policymakers aware of a problem. In others, such as health issues, the aggregate of private events may be sufficient. In the case of dying patients, both strategies of problem recognition were employed. Some 20 cases were discussed in the court system from 1987, and all were covered by the media (e.g., CA 506/88 Yael Shefer vs State of Israel, ruling 1141/90 Benjamin Nachman Eyal vs Dr. Wilensky). Generally speaking, the court system tended to avoid ruling on the matter, since it involves basic discussions over issues which are not judicial per se. However, regarding decisions over specific cases, the district court's verdicts were autonomy-oriented, while the Supreme Court rulings emphasized the value of life.

Ruling 1141/90 Benjamin Nachman Eyal vs Dr. Wilensky was a historical precedent in two senses; first, for the first time a verdict was given in the course of a direct and fundamental discussion of a near-death patient's right to refuse medical treatment. Judge Uri Goren wrote at the time that when medical treatment offers no real chance of improving the patient's condition, then "the principle of the sacredness of life is not that sacred" and if the doctor responds to the patient's request to die, the attorney general will not indict him. Second, for the first time the verdict was in favour of the petitioner, the patient.

Court ruling 2242/95 Itai Arad vs Clalit HMO and others was given exceptional intensive media coverage and alarmed medical and ethical communities. Arad, a former navigator in the Israeli army, was suffering from ALS (Amyotrophic lateral sclerosis); in 1996 he appealed the district court to have the right to end his life. Even though Judge Moshe Talgam (known for his active pro-euthanasia attitude) had ruled that his request must be respected, Arad's physicians refused to implement the order and took life-prolonging actions instead (PEG—Percutaneous endoscopic

gastrostomy, Tracheostomy). Two years later, Arad contacted a neurologist from another hospital, Prof. Reches, who had met him before the court ruling was given, and asked for his help. Prof. Reches informed the CEO of Hadassah Hospital and called a meeting of the hospital ethical committee, which had requested a renewal of the court order. Judge Moshe Talgam ruled that the attending physician should decide. Prof. Reches disconnected Arad from his ventilator and he died 23 hours later. Prof. Reches did not ask for anonymity and was willing to be prosecuted for actively causing his death. Following this event, hundreds of people signed supportive letters and the Minister of Health, Joshua Matza, announced the establishment of a special ethics committee which would decide on cases of dying patients, while another committee was supposed to set directing rules for these cases. The second part of the directive was never implemented.

Another salient, precedent-setting ruling was passed by Judge Moshe Talgam (10403/99 Lubetzky vs Clalit HMO and the attorney general) giving a directive to actively bring about the death of an elderly woman in a “vegetative” state, by disconnecting her from an artificial feeding device. The Attorney General appealed against the ruling to the Supreme Court, arguing that from a medical viewpoint, the elderly woman was not terminally ill. Although the Supreme Court accepted the case as presented by the appellant, the matter did not end there. The Supreme Court then called on the Knesset to regulate by law the circumstances under which terminally ill patients could be cut off from resuscitation devices. In the same year, there were two incidents of terminally ill patients committing suicide, which were followed by doctors and lawyers calling for legislation to prevent future suicides.

Another event which took place in the political venue contributed to the process of problem recognition. The Patient Rights Act (1996) grants any patient the right to refuse medical treatment. Yet a doctor may give such a treatment without the patient’s consent if the latter is in a life-threatening condition and it is very probable that the treatment will improve his condition significantly. The Act was approved but with the omission of the section on refraining from giving life-prolonging treatment to near-death patients. Opinion on the reason is divided; according to one view, the religious parties objected to the section’s inclusion due to the upcoming elections (Bina Divon, interview 2015). Another explanation of this omission is LILACH’s refusal of such a moderate version, which might have closed off the opportunity to bring the issue onto the

agenda once again and legalize active euthanasia (Mordechai Halperin, interview 2015). One way or another, the controversy regarding the inclusion of this section was covered thoroughly by the media and made other MKs realize that the near-death patient issue was important and deserved their serious attention.

According to Kingdon's findings, the media plays a secondary role in the problem recognition process in the US, choosing whether to broaden the attention given to an issue already raised by other actors, or to ignore it. In the case of the dying patient issue in Israel, the media chose to give added volume to each related incident by covering every detail and publishing opinion articles throughout the period up to the establishment of a public committee in 2000 by the Health Minister Benizri (Neubauer-Shani, 2007).

Several MKs also contributed to the problem-recognition process in the years preceding the establishment of the public committee. Religious MKs were not especially active in raising the issue for discussion in the plenum. They raised one parliamentary question (considered a relatively weak parliamentary tool) while secular MKs raised a motion for the agenda and introduced a bill. Neither deliberation on the issue in the Knesset plenum followed the typical format of disagreements on the relationship between religion and state. Instead, the initiators used arguments that stressed the urgent need for legislation on such a complex and sensitive issue, while also stressing consensus and the fact that the complexity of the issue did not stem from differences of opinion between religious and secular. Other participants in the deliberations also used this kind of argumentation (Neubauer-Shani, 2007).

Discussing the bureaucrats' role in this stream creates a distinction between different levels of bureaucracy; first, civil servants in the Ministry of Health were indifferent to the issue and therefore neither took part in the process nor opposed it. Second, the interest of hospital administrators and department heads is to maintain routine within the system as far as possible. Consequently, regulating the dying-patient issue was desirable for them because it would ensure uniformity of treatment, and would avoid cases being brought before the media and undesired court cases. This second group of actors was only sporadically active, giving a few interviews to the media and infrequently writing on professional platforms (Ron Arnon, interview 2013).

Regarding street-level bureaucrats, two groups of doctors were found: young, inexperienced doctors who want precise instructions that avoid the

need to exercise their own judgement in each case, and experienced physicians who see an imprecise framework as better for their activity. Of course, this distinction is not all-inclusive, but it does represent the majority of doctors (Ron Arnon, interview 2013). These young doctors are not in a position to take public action so they did not contribute to the process (Avraham Steinberg, interview 2013; Boaz Lev, interview 2013; Charles Sprung, interview 2013). Furthermore, former MK Anat Maor, who presented her bill on the subject, indicates that there was a lack of interest among doctors, and MK Haim Oron, who served as chairman of the lobby for medicine, suggests that the bureaucrats of all three levels showed no interest in it (Anat Maor, interview 2013; Haim Oron, interview 2013).

### 6.2 *The Policy Stream: Looking for Policy Alternatives*

Throughout the period between the late 1980s and the establishment of the public committee, only two private bills came up in the Knesset Commission for Constitution, Law and Justice, both in 1999. The first was The Right to Die with Dignity bill by MK Avi Yehezkel, which gives the near-death patient the right to sign a document that would prevent life-prolonging medical treatment. The second was an amendment to the penal law (The Right to Decide on Life-Prolonging) by MK Anat Maor, which focused on the legal protection for doctors who avoid giving life-prolonging treatment to the near-death patient. In 2001, both bills were combined into a single one which passed its first reading, but was later dropped, due to its promoters' retirement from the Knesset (Public Affairs Committee Report for the Near-Death Patient, 2002). Yet the bill's promoters were not the only actors active in generating alternatives for a solution. Prof. Reches and LILACH contributed by advising the Knesset Health Committee and Constitution Committee and other MKs and by softening up the public and policymakers (through writing and lecturing). In addition, policy community specialists from different disciplines (law, medicine and ethics) were active in the selection of the policy proposals.

### 6.3 *The Politics Stream: Swings of Political Mood*

During the 1990s the religious-secular rift was deepening due to several factors, such as the mass immigration of non-religious Jews from the former USSR. One of the factors most influential in this socio-political process was the adoption of the attitude of "Judicial Activism" by the court

system, headed by Judge Aharon Barak (Gavison, Kremnitzer, & Dotan, 2000). The Ultra-Orthodox sector was not pleased with this change and felt that the legal system was trying to delegitimize them and weaken their influence. The distrust felt by this sector of society led to an escalating antagonism towards the court system, climaxing in a mass demonstration initiated by Ultra-Orthodox religious leaders in 1999.

Another factor that deepened the rift during the 1990s was the constant increase in the electoral power of the Ultra-Orthodox party, Shas, which hit its peak in the 1999 elections at the expense of the moderate religious parties (Guttman, 1996; Cohen & Susser, 2003). Simultaneously, and probably as a backlash, the anti-religious parties were also becoming stronger. Thus, in the 15th Knesset, 43 of 120 members (in comparison to 32 in the 14th Knesset) represented either religious or anti-religious parties. This rift was also reflected in the composition of the governing coalition, 45% of whose members (in comparison to 34% in the former government) came from these parties, including Shas. Naturally, the more the parliament and/or the government includes parties whose platforms focus on the issue of relations between religion and state, the more fertile is the ground for raising the issue on the agenda.

The 1990s brought also a tremendous change in the concept of human rights and their status in the Israeli legislative and judicial systems. The constitutional revolution, headed by Aharon Barak, president of the Supreme Court and supreme court justice, started with two basic laws in 1992 which established the right to dignity as part of the material constitution of Israel (see e.g., Gavison, 1998; Kretzmer, 1996; Meydani, 2011; Sapir, 2009). The Supreme Court determined that existing laws must be interpreted according to the principles of the right to dignity and liberty. This Israeli revolution was part of the liberal tendency of all Western-democratic countries to focus on individual and human rights (e.g., the Human Rights Act enacted in the United Kingdom with the aim of incorporating the rights contained in the European Convention on Human Rights into the state law), which led to the centrality of the right to autonomy in the social and political discourse. Consequently, the doctrine of informed consent was developed, gaining professional and public attention during these years (see, e.g., Gostin, 1995; Wear & Moreno, 1994).

These developments led to a change from a paternalistic attitude to an autonomy attitude in medicine (Rehbock, 2011; Taylor, 2014), particularly regarding the end of life issue (Billings & Krakauer, 2011; Turner, 1996). The requirement for informed consent had already appeared in



Israeli rulings of the 1960s; nevertheless, the attitude which emphasizes the patient's right to autonomy developed only two or three decades later.

On the other hand, the value of life in Jewish religious law is sacred, infinite, and not subject to division or relativity. It is a value in itself, whose sanctity stands above almost all other commandments (Barilan, 2003; Yakubowicz, 1965; Steinberg, 2003; Toktz'inski, 1947). Over the years this interpretation of Jewish law has penetrated into the legal system of Israel and received expression in various laws. For example, one Israeli law is actually entitled "Do Not Stand Idly by thy Neighbour's Blood" (1998) and states that the duty to save life is a legal obligation, not just a moral one as it had been considered previously.

Public opinion is thus comprised of two contradicting dimensions. Yet careful attention should be paid to the extent to which the sanctity of life is expressed. Apart from a few cases, when the family of a terminally ill patient appealed to the courts to give specific help to their loved one, the general public has remained indifferent (Haim Oron, interview 2013; Anat Maor, interview 2013). This can be attributed to the public's not wanting to deal with an issue connected to the termination of life. In the words of former MK Haim Oron, who served as chairman of the public health lobby in the Knesset, there is an "irrational fear of dealing with this stage of life, which does not come from specific religious beliefs, but from tradition and cultures which large segments of the population share" (Haim Oron, interview 2013).

The media also play a role in creating public opinion by publishing articles that influence and shape prevailing trends. In this case, we see articles aimed at having the issue reach the decision agenda by emphasizing the urgent need for regulation (the terrible helplessness of the patients, their families, and their doctors), but without presenting it as part of the debate on the relationship between religion and state. That is, reporters warned about the seriousness of the problem, but did not stir up political disputes, thus creating the impression that the issue could be resolved through regulation (Neubauer-Shani, 2007).

The streams described above were accompanied by the action of three policy entrepreneurs which tried to influence the process so that the policy outcomes will be the one that each of them supported. LILACH was involved in all three streams. As Kingdon argues, entrepreneurs try to push their proposals and to make couplings throughout the process, whether they recognize a policy window or not, relying on luck (Bina Divon, interview 2015).

Prof. Reches, too, acted as an advocate through involvement in all three streams, but when he thought about coupling all three streams together at the conference he organized, he waited for a suitable moment when the discourse has moved far enough from the very emotional case of Itai Arad (Avinoam Reches, interview, 2015).

Minister Benizri, as a member of the Shas Ultra-Orthodox party, was motivated by fear of the Supreme Court and its alleged anti-religious rulings. Thus, he was determined that these issues would not be decided by the judicial system, but by a law which would be in accordance with Jewish law. Another motive for Benizri's involvement in the legislation was his concern that the two private bills proposed by MKs Yehezkel and Maor in 1999 would be passed (Shlomo Benizri, Interview, 2015). Benizri chose Prof. Avraham Steinberg, an observant Jew and a well-known neurologist and ethicist, as an entrepreneur to engage in brokerage and to head the committee. Deciding on a legislative procedure was beneficial for Benizri in two ways: first, he showed himself to be a liberal and, second, he brought about a law which would significantly limit the court's involvement in the matter.

Examining the different actions and factors within the three streams reveals that some were not intentionally directed at engaging the legislation process; for example, the constitutional revolution or the composition of the Knesset at the time. This emphasizes that the presence of entrepreneurs was critical in coupling the three streams, and that the legislative process's success actually depends, significantly, on the activity of these actors.

## 7 CONCLUSION

The process of placing the issue of the near-death patient on Israeli policy-makers' agenda and regulating it was characterized by both planning and randomness. The establishment of the public committee which formulated the Dying Patient Act was the result of a unique combination of three simultaneous processes converging at a rare moment. Nonetheless, this alignment did not take place all by itself, but was conducted by three policy entrepreneurs: LILACH, Prof. Reches and Health Minister Benizri. This chapter has analysed the process in which the issue reached the decision agenda in the year 2000 in light of Kingdon's streams model, focusing on the crucial role of entrepreneurs.

Several factors made policymakers aware of the issue: different court rulings in private cases, including the focusing event of Arad in 1996, in which the Supreme Court advised MKs to regulate the issue. There was also the omission of the section that referred to the near-death patient from the Patient's Rights Law, the intense media coverage, and the activity of a few MKs in the plenum. LILACH contributed to problem-recognition by lobbying in the Knesset, as did Prof. Reches, by being active and prominent in Itai Arad's case.

In the policy process, two similar bills were raised by MKs in a lengthy softening-up undertaking led by Prof. Reches and LILACH. The political stream was characterized by a deepening of the religious-secular rift due to several factors, among them the adoption of judicial activism and the increased electoral power of the Ultra-Orthodox parties.

Another characteristic of this stream was the developing discourse concerning autonomy and the patient's informed consent. The media influenced the public atmosphere with articles that emphasized the need and the ability to regulate the issue. In order to influence the public mood, LILACH presented the issue to various audiences and informed the media about all aspects of the issue, and Prof. Reches published articles on a wide range of platforms throughout the process.

As Kingdon writes, each of the three streams can serve as either an impetus or a constraint. In February 2000, none of the three processes was limiting the motion of coupling all the streams together; no actor used the negative blocking strategy with the aim of preventing the issue from reaching the agenda; there was no relevant change in the administration. Since the regulation was not expected to be significantly expensive, no budgetary limit was relevant either. In addition to the approval that Minister Benizri had received from Rabbi Yosef, the top Ashkenazi religious authority Rabbi Auerbach had ruled some years before the law passed, as well as during its legislation, that there was an option to regulate the issue in a way that would not contradict Jewish law. Thus, once Benizri wanted to establish the committee, the Ultra-Orthodox politicians were prepared and not expected to oppose it, so the political climate was ripe for dealing with the issue. The window through which the three streams were coupled together was the conference initiated by Prof. Reches in February 2000.

As mentioned above, the chances of the issue being placed once again on policymakers' agenda are high; the need to implement the current act and the willingness of some actors and policy entrepreneurs to expand it

may create a different picture of the streams model. Shlomo Benizri is no longer a part of the political system, nor is he involved in the issue. In contrast, LILACH and Prof. Reches are still active. At present, there are almost no court rulings that can pave the way to problem recognition; and only one bill to legalize assisted suicide has been raised, by MK Ofer Shelach. Much has changed in the politics stream; principally, a growing percentage of the population is affiliated with tradition and religion (Arian & Keissar-Sugarman, 2011). The rift has not deepened and the atmosphere in this context is less charged. Will a substitute for Benizri emerge? Will the policy entrepreneurs succeed this time? Time will tell.

This case study validates Kingdon's model by exhibiting the motion of the three streams being conducted by policy entrepreneurs along with randomness. It also shows that the process is not rational and is therefore characterized by simultaneous occurrences rather than chronological stages. Nevertheless, as was mentioned above, Kingdon's model was formulated in the American political context and therefore it is not generalizable to other countries. Furthermore, Kingdon's model does not recognize the influence of specific factors on various policy issues, thus reducing its applicability to different areas in public policy. This chapter highlights the unique characteristics of the agenda-setting process in the Israeli context, thus enabling the adoption of the model. Likewise, it has identified specific factors which influence the sphere of state-religion issues in Israel, thus reducing overgeneralization.

## NOTE

1. In 2001, the tables turned, and now it is the press which turns to LILACH whenever a relevant case arises.

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# Institutional Entrepreneurship in Education Policy: Societal Transformation in Israel

*Netta Sagie and Miri Yemini*

## I INTRODUCTION

It has long been recognized that entrepreneurship plays a significant role in the economic development of organizations and countries (Cuervo, Ribeiro, & Roig, 2007; Drucker, 1985; Foster, 1986; Morris & Lewis, 1991; Morris & Sexton, 1996; Peters, 1987). Promoting entrepreneurship as a mechanism to stimulate growth and to generate higher employment and competition in global markets has thus become a central strategy of governments worldwide, who have begun to develop policies that promote and institutionalize entrepreneurship in their countries (Audretsch & Beckmann, 2007; Minniti, 2008). While most of the theoretical discourse was once attached to classic forms of entrepreneurship (the establishment of new businesses in order to maximize economic profit), in recent decades more attention has been devoted to corporate entrepreneurship, institutional entrepreneurship, social entrepreneurship

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and entrepreneurship in education, as well as to policy formation and enactment in each of these domains.

The term “entrepreneurship” was coined over 300 years ago in the business context (Dees, 2003). Since the beginning, there has been an ongoing, lively debate regarding its definition and meanings (Dees, 1998; Hess, 2007). While there is no consensus on a single accepted definition of entrepreneurship (Gartner, 2004), certain key terms appear repeatedly in efforts to settle on a definition: innovation (Boyett & Finlay, 1993; Eyal & Inbar, 2003; Lumpkin & Dess, 1996; Miller, 1983), the seeking and exploitation of opportunity (Drucker, 2007; Kirzner, 1999; Shane & Venkataraman, 2000; Stevenson & Jarillo, 1990) and the establishment of new organizations (Gartner, 1990; Spencer, Kirchhoff, & White, 2008). Yet some scholars have raised objections regarding even these basic components of the term’s definition (Omer Attali & Yemini, 2017).

While the theoretical discourse on the definition of entrepreneurship continues to flourish, the notion of entrepreneurial behaviour has penetrated into the educational discourse (i.e., Boyett & Finlay, 1993; Eyal & Inbar, 2003; Eyal & Kark, 2004; Korhonen, Komulainen, & Rätty, 2012; Man, 2010; Yemini, Ramot, & Sagie, 2016). Thus, entrepreneurship, or entrepreneurial behaviour, is being promoted as a desired outcome by government and intragovernmental agencies in many education systems.

It can be argued that this growing interest in entrepreneurship policy (in other words, in policy intended to promote entrepreneurship) is a necessary response to dramatic changes in the industrial and economic markets—the transition from a “managed economy” to an “entrepreneurial economy” (Audretsch & Thurik, 2000, p. 17) where the most significant factors affecting productivity are knowledge production and innovation facilitation. This type of economy requires a different industrial structure and different economic values, which can be fostered by entrepreneurial activities of different kinds. These transformations are apparent in almost every domain of society, including that of education. School-based entrepreneurship, an institutional form of entrepreneurship, has been discussed and contested within the education sector (Sagie, Yemini, & Bauer, 2016; Yemini & Sagie, 2015), but policy concerning entrepreneurship in education is largely absent from contemporary scholarship.

This chapter examines and characterizes the government discourse regarding institutional entrepreneurship in the Israeli education system as a case study to expand existing knowledge regarding national entrepreneurship policy in education. Through in-depth interviews with central government policymakers involved in the formulation of education policy,

this study reveals, analyses and characterizes the government discourse regarding entrepreneurship policy in the Israeli education system, its creation and how government policymakers perceive the role of the government in the promotion of entrepreneurship in the education system. In addition, this study provides new insights regarding the different measures and actions of entrepreneurship policy in education, the characteristics of such policy, its manifestation and the structuring of entrepreneurship as a policy field in education. In sum, this chapter aims to deepen understanding of policy change and institutional entrepreneurship in the specific context of the education system.

## 2 THEORETICAL BACKGROUND

### 2.1 *Entrepreneurship—Conceptual Framework*

There is nothing new about interest in entrepreneurship. Much has been written on the correlation between entrepreneurship and economic growth, and on the importance of entrepreneurship to competition capacity in the age of globalization (Cuervo et al., 2007; Drucker, 1985; Foster, 1986; Morris & Lewis, 1991; Morris & Sexton, 1996; Peters, 1987). It has been recognized for years that entrepreneurship plays a central role in the economic development of organizations and countries. In this context, the importance of entrepreneurship—which grows further as neoliberal concepts are spread—stems from its variety of appearances, expressed by the identification, assessment and exploitation of business opportunities, the establishment of new organizations, or improvement of existing organizations. Indeed, in recent years interest in entrepreneurship has grown significantly (Audretsch & Thurik, 2000; Stevenson & Lundström, 2007). This growth occurred within the policymaking discourse as well as in the business sector (Minniti, 2008).

Entrepreneurship is a multidimensional phenomenon that crosses a multitude of disciplinary boundaries and studies which fall under the category of entrepreneurship aim to achieve different goals. They ask different questions, revolve around different units of analysis, methodologies and theoretical perspectives. Thus, for example, discussion about entrepreneurship may involve various aspects such as the entrepreneurial entity (a new producing entity that is different from current producing entities), the way entrepreneurs function and entrepreneurial behaviour (behavioural characteristics of entrepreneurs). Additional studies analyse the variables that explain the appearance of entrepreneurship, the actual enterprise,

the entrepreneurial “spirit” (Lundström & Stevenson, 2005, p. 45), or the results of entrepreneurship.

The above explains why entrepreneurship is described in the literature in different ways (Cuervo et al., 2007) as well as the versatility of existing definitions of the terms entrepreneurship and entrepreneur (Ahmad & Seymour, 2008; Levin, 2006; Low & Macmillan, 1988). Anderson and Starnawska (2008) discuss the reasons for the difficulties in defining these terms. They argue that since entrepreneurship and the entrepreneurs’ activities are related to irrationality and anomaly, the phenomenon can occur in unexpected places and by unexpected means, and cannot be placed on a rational scale. These irrational and anomalous appearances, they argue, hinder the goal of reaching a uniform definition. In this chapter, we adopt the definition of entrepreneurship in education proposed by Omer Attali and Yemini (2017) as a starting point for our discussion:

a process whereby a vision of the entrepreneur that was designed based on the identification of a need or problem within the education system alongside an opportunity to resolve it innovatively leads to formulating goals and working to attain them in a manner that adds value, thereby influencing the immediate surroundings and the broader education system. (p. 15)

## 2.2 *Entrepreneurship Policy: Definitions, Characteristics and Challenges*

The literature offers different perspectives on the phenomenon of entrepreneurship policy. Audretsch and Beckmann (2007) claim that it is a means to directly affect the level of entrepreneurship in a certain state or region, and that it can include different levels of institutions and analyses. These levels may range from individuals to organizations to industries to sectors. They consider each of these levels an important goal for policy. Similarly, Hart (2003) argues that entrepreneurship covers many policy fields, and includes activities at different levels of governability, from regional or local policy to national economic development. According to Hart, the purpose of entrepreneurship policy is to promote an optimal level of entrepreneurial activity (the establishment of new businesses and expansion of existing businesses) in a given society.

Stevenson and Lundström (2007) have also accepted the challenge of characterizing entrepreneurship policy. They state that, when establishing entrepreneurship policy, governments should refer to three dimensions: motivation, opportunity, and skills. *Motivation* refers to the social value of

entrepreneurship (i.e., to be accessible and feasible and to be perceived as desired and applicable). *Skills* refers to the entrepreneurial skills acquired by the education system, training programmes, relevant employment experience or social and professional networks. *Opportunity* is the environment that supports entrepreneurship—including access to knowledge, advice, capital, networking, business ideas and resources. Opportunity also includes the regulatory environment, since governments can produce the right conditions for opportunities via regulation, such as regulation that reduces or removes barriers to entrepreneurship (i.e., barriers that prevent new businesses from accessing the market) or reduces penalties for bankruptcy and the stigma that comes with business failure. The interactions between these dimensions affect the level of entrepreneurship (Lundström & Stevenson, 2005). Thus, for example, low levels of motivation, opportunity and skills will lead to reduced establishment of new businesses, lower chances of business success, weak entrepreneurial culture, limited support of entrepreneurship, and vice versa.

In any case, current evidence shows that in order for an entrepreneurship policy to be used as an efficient strategy for countries that wish to improve their economic capacity and to generate employment, the application of the policy must be comprehensive (OECD, 1998). Furthermore, since the field of entrepreneurship is wide and embraces a myriad institutions, agencies and groups, it is claimed that an entrepreneurial economy necessitates a consolidated and thorough policy approach that includes all sectors of society and not just the business sector (Audretsch, Grilo, & Thurik, 2007). According to this argument, since an entrepreneurial economy produces a new direction for public policy which not only spans most societal institutions, but leaves few aspects of the economy unchanged, instead of focusing on adding aspects of entrepreneurial policy to the toolbox of public policy, the debate should focus on changing the role of public policy in such an entrepreneurial economy (Audretsch et al., 2007). This change must be accompanied by a deep understanding of the interplay between the roles of market, government and public interest to reflect the responsibility of the government for its core interests and thus services (Carroll & Jarvis, 2015).

### 2.3 *Entrepreneurship in the Education Sector*

As mentioned, entrepreneurship is traditionally associated with the private sector and business organizations working for profit, and long attracted only marginal attention in the public education system (Borasi & Finnigan,

2010). Moreover, in light of their current obligation to comply with institutional regulations and norms, which leave hardly any room for entrepreneurship, schools are often perceived as avoiders of educational change (Levin, 2006).

The phenomenon of entrepreneurship was first tied to education due to significant changes which affected education systems around the world, including privatization, commoditization and decentralization at different levels of education governance (Ball, 2015). The trends of decentralization and privatization, which accelerated in recent years due to the expansion of neoliberal ideology, forced schools to operate in quasi-competitive markets with special emphasis on greater accountability, achievements and performance. Today, schools are required to handle new and complex challenges for which the education system is not prepared (Hess, 2007). Education systems around the world are required to function in a constantly changing environment characterized by a high level of uncertainty regarding funding, curriculum change, demands of accountability and competition pressures. They are forced to adapt too many changes, technological, economic, political and social. The fast rate of transformation and the lack of or limited capacity to predict these changes increases the uncertainty that characterizes schools' activity (Eyal & Inbar, 2003; Yemini & Addi-Raccah, 2013).

There is growing demand for entrepreneurship in the public education system (Levin, 2006). However, there are also voices that criticize it and are suspicious of it (Higham, 2014). Such criticism is aimed at the negative social influences of neoliberalism in general and the entrance of the economic-management discourse in the education field in particular (Yemini, 2012). The diffusion of economic mindsets and mechanisms reshapes the relations between the existing actors in the field, changing their respective roles, authority and autonomy, and introducing new actors and agendas (Ball, 2016). Among the hallmarks of recent changes in the character of the welfare state and its practice, we find the privatization of social services and, in particular, the education system (Kamat, 2004; Katan & Lowenstein, 2009).

The precise meaning of the term "entrepreneurship in education", which developed in recent years, is unclear, and it is used to describe a wide variety of goals and actions. Some researchers use the term to describe institutional strategies intended to improve education (Hess, 2007; Levin, 2006); others connect entrepreneurship in education to certain behaviours and roles of individuals in the education sector. Teske and Williamson

(2006), for example, define educational entrepreneurs as individuals who change the way education is provided from its very foundation. These individuals include businessmen who utilize opportunities in the education market, public leaders who seek to change the education system and various entities that manage and lead non-profit operations. Entrepreneurship can be related to after-school activities as well as activities within the organization (the educational institution) which lead to innovation and change (Man, 2010). Entrepreneurship in education within schools (intrapreneurship) is often related to the management methods of school principals and the innovative activities which schools seek (Man, 2010). These innovative activities can be related to school practices, pedagogy, learning strategies and creating arrangements and cooperation for problem-solving, and so on, which are often executed through institutionalized means (Yemini, Addi-Racah, & Katarivas, 2014).

#### *2.4 Government Policy to Promote Entrepreneurship in the Education System*

As noted above, the promotion of entrepreneurship policy as a mechanism to stimulate growth and to generate employment and competitiveness in global markets has become a central theme in the economic strategies of governments around the world. Although the entrepreneurial discourse, as a global phenomenon, penetrated this field in recent decades (Levin, 2006), the subject of government policy promoting entrepreneurship in education did not attract much attention from researchers. One of the most common claims against the education system is that it is inherently opposed to change. According to Levin (2006), the main issue that limits public schools' capacity to be innovative and to lead change is the heavy regulation with which they must comply. Smith and Peterson (2006) sought to characterize an entrepreneurial school system, identifying six characteristics: (1) a meritocratic culture, (2) responsiveness to change (regarding the needs of students, parents and the community), (3) non-centralized, (4) client-oriented (in this context, clients include students, their parents, the community and the business sector, among others), (5) product-driven and (6) constantly working to improve the learning process.

Eyal emphasizes the inner tension that characterizes the term "school entrepreneurship" (2008, p. 28). This tension is expressed, according to

Eyal, by schools' avoidance of change, and by their growing need for entrepreneurial activity in order to comply with the needs and preferences of their clients. This tension has led many researchers to claim that only a fundamental reform of the education system can reinvent the school as an entrepreneurial organization (Eyal, 2008). Another relevant study by Eyal examined the connection between government sponsorship and entrepreneurial strategies in the public education system. The study found that schools that enjoy high government funding often adopt a "calculated entrepreneurship strategy" (2007, p. 4) characterized by moderate levels of proactivity and innovation, while schools receiving less government support present a more radical entrepreneurship strategy, which is characterized by a high level of proactivity and innovation. This shows that government funding has a similar effect in education and business systems. Many government resources limit schools' freedom to seek innovative enterprises. However, while there is a linear correlation between the level of government support and radical entrepreneurship in the business sector, the correlation is non-linear in the public education system. Thus, schools with a moderate level of support present more radical entrepreneurship strategies than schools with low or high government funding.

The relationship between entrepreneurship growth in education and policy can also manifest in clear support of the state in the establishment of entrepreneurial education organizations. One example is the academy schools in England. These are hybrid schools aimed to serve as terrain where entrepreneurship can blossom; they combine aspects of private schools, such as independent management and autonomy, and public support (e.g., dependence on government funding). The policy discourse from which the academies arose reflects a commitment to combining private-sector work principles, values and methods with those of the public sector in order to make the traditional public sector more innovative and entrepreneurial (Woods, Woods, & Gunter, 2007). Academies can be established by commercial sponsors or voluntary groups as new partnerships with central government and local educational partners (Woods et al., 2007). Such schools are independent of the local authority and cannot operate directly for profit goals (Higham, 2014). The decision to allow this type of school is part of a policy which attributed great importance to developing new forms of civil society involvement in education in order to face continuous social challenges. The British government thus acted to remove obstacles preventing the establishment of schools by non-governmental entities and to break the state's monopoly in this context (Higham, 2014).

It is important to note that there is a growing body of studies that criticize the academies programme at the policy level (Glatter, 2009; Purcell, 2011). Thus, the issue raises serious questions about the role of the state, its responsibility over the education system and the ways in which power is exercised (Woods et al., 2007), and while supporters of academy schools believe that they can make a difference to pupils' educational outcomes, the critics claim that they are just a path intended to privatize the state education system (Machin & Vernoit, 2010).

The above discussion regarding the different attitudes towards entrepreneurship and policy promoting entrepreneurship in the education system attest to the lack of a clear or agreed upon understanding of how the entrepreneurial education system should be designed and the challenges in this field of research.

### 3 METHODOLOGY

The subject of government policy promoting entrepreneurship in education has not attracted much attention from researchers and very little is known about the means, rationales and attitudes towards entrepreneurship policy in national education systems. The purpose of this study is to reveal, analyse and characterize government discourse regarding entrepreneurship in Israeli education policy, the context in which this discourse occurs, the expressions and aspects of the policy as perceived by the government policymakers, and to examine how policymakers perceive the role of the government in promoting entrepreneurship in the education system. We choose to utilize a case study methodology in order to capture the exact meanings and contexts in which this discourse occurs and developed (Yin, 2013). The case study will focus on Israel, but its consequences are multifaceted and may promote research and government discussions in many other states around the world.

#### 3.1 *Data Collection*

The study is based on open-focused interviews conducted with five senior policymakers in the Israeli Ministry of Education (Director Generals of the Ministry of Education)<sup>1</sup> who, between them, held the position for over a decade.<sup>2</sup> As Gibton (2015) states, interviews with senior policymakers are a unique opportunity to expose the environment, circumstances, context and policy (for a recent discussion on macro-, meso- and micro-level



contexts and entrepreneurship activity, see Bakir, 2009, 2013, Chaps. 2–4; Bakir & Jarvis, 2017, Chapter 1—this volume. It allows an innovative research perspective on the issue of governmental entrepreneurship policy and a fascinating and rare glimpse of the heart of policy decisions regarding education. The fact that, for this research, we interviewed policymakers who led the education system in the political arena for over a decade, adds a historical perspective on the subject and provides a deeper understanding of the development of the discourse regarding entrepreneurship policy in education over a significant period.

The interviews were conducted between December 2014 and February 2015, all in Tel Aviv area, mainly in cafes and public spaces chosen by the informants. After receiving each interviewee's permission, the interviews were recorded and then transcribed. In the first stage of each interview, what Gibton refers to as “the Authentic Stage” (2015, p. 86), the interviewer asked an open question intended to reveal the interviewee's attitude towards the term “entrepreneurship in education” and government policy in this context. In this stage, the interviewee could express his perspective, experience and thoughts with minimal interference from us. This open question drew out detailed answers from the interviewees about the issue at the heart of this study, and raised options for further investigation and elaboration. This stage of the interview continued as long as the interviewee had something to say, and covered many topics of the interview. After the Authentic Stage, we presented the interviewee with more questions, including some arising from the perception the interviewee expressed during the first stage. In addition, if we found it to be appropriate and necessary, we confronted the interviewees with different types of information, such as scientific literature, media reports about their time of duration as ministers, and the ministry's activity during that time. At this point, we also obtained biographic-professional information about the interviewees.

### 3.2 *Data Analysis*

The data analysis process of a qualitative study depends on continuous interaction between data collection and data analysis. Thus, information is not studied according to predefined themes or categories, but rather through a process that develops during the study and through it, from the data collected in the study itself. In this way, processes of data collection and analysis are conducted simultaneously and affect each other, and findings are organized into categories formulated as a result of these processes

(Guest, Namey, & Mitchell, 2012). We based our analysis on a grounded theory (Charmaz, 2006). This method is known as a systematic, comparative and inductive approach, and is intended to produce theory. The definition of the method as inductive stems from the transition one must make from detailed description to a more abstract, conceptual level (Bryant & Charmaz, 2007). Constant comparative analysis is the main analytical strategy of grounded theory, which focuses on location, naming and characterizing repetitions that arise from the data (Corbin & Strauss, 1990). In line with constant comparative analysis, each interview was analysed in comparison to the others. The purpose of this analysis was to identify major issues that appeared repeatedly throughout the interviews. At the heart of this method is a coding process which includes three types of sub-process conducted in different steps of the analytical process (Babchuk, 1997).

The initial phase of analysis involved the identification and categorization of the issues encountered in the raw data—a process known as “open coding” (Corbin & Strauss, 1990, p. 12). In the second stage, through a process called “axial coding” (Corbin & Strauss, 1990, p. 12), we re-examined the categories identified through open coding to determine relationships between them. The next step was a process in which categories linked to the core category of the study become the basis of the grounded theory (Babchuk, 1997). After the data that arose from each interview were analysed separately, a process of data analysis and comparison was performed, thus obtaining a complete picture. The main themes that arose from the analysis of the interviews with five executive policy-makers are presented and discussed below.

#### 4 FINDINGS AND DISCUSSION

In this section, we present and discuss the main findings that arose from the analysis of our interviews with policymakers and their perspectives, differing and shared, on the issue of entrepreneurship in education policy. The research hypothesis is that the issue of entrepreneurship, which is acquiring a growing role in the educational discourse, is borrowed from the business sector (where the concept was first developed). A new generation of studies regarding policy borrowing revolves around policy transfer between sectors. For example, Waldow studied policy transfer between the business and educational sectors in Sweden and opened a new and fascinating avenue of research revolving around important questions such as: When a policy transfers to the educational sector from another sector,

how is it translated, interpreted and adapted to the educational sector? How does the interpretation of a transferred policy reflect an educational logic? and How does the educational sector handle contradictions and mismatches caused when a transferred policy does not conform satisfactorily with the educational logic? (Jarvis, 2014; Steiner-Khamisi & Waldow, 2012). The answers to these questions naturally provide important clues to understanding the unique nature of the education sector.

#### 4.1 *What Is Entrepreneurship in Education?*

As noted above, despite the recent growth in interest in entrepreneurship in education, there is still no consensus in the literature as to its precise meaning. For this reason, we decided to open our interviews by asking each interviewee to describe their perception of entrepreneurship in education. It seems that the lack of agreement regarding the definition of the term “entrepreneurship in education” is not unique to researchers and theorists: it is shared by policymakers of the education sector. Nevertheless, despite the existence of a certain variance in perceptions presented by the policymakers (discussed below), they all referred to entrepreneurship in education in associative terms—of feelings, emotions and other obscure metaphors, which all bear positive connotations.

For example, Director General 3 presented her opinion that “entrepreneurship in education is everything that isn’t routine, that isn’t the central spine of the core programme ... it injects adrenalin ...”. Later she said, “it’s the spirit, the soul you breathe into the education system”. Director General 4 said that:

Entrepreneurship is part of living ... no regulatory policy, even the finest and best one, could lead a system to a great place if the system leaves no room or time for teachers’ autonomy, to do what relates to their passion and love ... I tried very much to promote entrepreneurship and called it “getting connected to passion, to the things you love” ... I believe entrepreneurship comes from a passionate place.

Director General 5 used similar terms: “entrepreneurship in education is that sparkle in your eyes”. She later said: “I think [entrepreneurship] also brought back to all of us the passion of practicing education”.

This obscure and emotional discourse differs from the literature’s discussion of entrepreneurship in education, which emphasizes the aspects of

innovation and proactivity, or refers to entrepreneurship as strategies to improve education (Hess, 2007; Levin, 2006). Despite these differences, it seems that the preference of the individual's empowerment over obedience and collectivism is a major paradigm rooted deep within the policy-makers' discourse, as well as in the literature on entrepreneurship in education.

Another important issue related to the difference between the discourse on entrepreneurship in the business sector and entrepreneurship in the education sector arises here. Thus, although the term "entrepreneurship in the business sector" has various definitions in the literature, it seems that they all combine objective and measurable parameters. Common definitions in this context view entrepreneurship as the foundation of new organizations (e.g., Drucker, 1985). Other definitions present entrepreneurship as the ability to utilize resources in an innovative way, to create new products or services (Schumpeter, 1934). In 1973, Kirzner (1973) related entrepreneurship to the ability to correctly foresee flaws and future imbalances in the market. Further definitions present entrepreneurship as a process that occurs in the context of an organization with certain behavioural characteristics (Zahra, 1993). One of the widely accepted definitions is proposed by Miller (1983), according to which entrepreneurship is the tendency towards innovation, proactiveness and risk-taking. Another central approach to the definition of entrepreneurship was suggested by Shane and Venkataraman (2000), who defined the field of entrepreneurship as an empirical examination of how, who and what affects the discovery, evaluation and exploitation of opportunities for creating goods and services in the future.

When considering the suggested definitions of entrepreneurship in the education sector in relation to the above definitions of entrepreneurship in the business sector, it seems that when the discourse on entrepreneurship penetrates the education sector, it becomes an emotional discourse, obscure and intuitive, which focuses on abstract metaphors such as passion, a sparkle in the eyes, energy, and so on. The result is an absence of practical, pragmatic, defined or result-oriented discussion.

#### *4.2 The Existence, Appearances and Meanings of Government Policy Promoting Entrepreneurship in Education*

As a rule, public policy can be defined as a government action (or lack thereof) regarding a particular issue which has an effect on the general pop-

ulation (Mahroum, 2013). These issues can be related to natural resources, technology, human resources, infrastructure and social problems. More specifically, a policy can be defined as an act (or inaction) that has a defined purpose, applied by a player or a group of players in the process of handling a particular problem or issue (Mahroum, 2013). A policy, as a normative discourse, may be backed by a government enforcement mechanism, and can also develop spontaneously, outside the agencies officially and legally responsible for making policies. In both cases, the policy can be organized and documented or it can be sustained in a non-written fashion, through practice, where it presents a model of ideal behaviour in a patterned sphere that seek to shape behaviour (Levinson, Sutton, & Winstead, 2009).

As noted above, the issue of government policy promoting entrepreneurship in education has attracted little attention from researchers to date. Thus, very little is known about the means, motives and application of such policies in the public education system. Since this subject has hardly ever been studied in Israel, when we approached this study, we had a great many questions to answer, including questions about the attitudes of policymakers towards the very existence of a government policy promoting entrepreneurship, the appearance of such a policy, its expression and the way they perceive the role of the central government in this context. The interviews exposed various complex attitudes among the policymakers.

#### 4.2.1 *The Role of Government in Promoting Entrepreneurship—Bottom-Up vs Top-Down*

From the interviews, it appears that the policymakers agreed that it is important to promote entrepreneurship in the contemporary education system. This can be demonstrated by Director General 3's explanation of why entrepreneurship in education is needed:

Public education, its prestige and value are reduced in the public's view. There are more and more private schools, anthroposophy schools, democratic schools ... all because parents are tired of the public system ... and it was clear to me that this system has to be attractive and versatile.

Nevertheless, the policymakers expressed differing points of view regarding the government's role in promoting entrepreneurship in the education system. These differences mainly revolved around the relationship between two attitudes: that entrepreneurship should grow from the bottom up, and that central government should play a major role in

promoting entrepreneurship in the education system from the top down. One of the most interesting issues in this context revolved around the significant role attributed by the policymakers to entities external to the education system in every aspect of promoting entrepreneurship within the education system. Director General 1 mentioned the limited influence of government policy: “Any bottom-up change, initiative, their odds of surviving in the system are much greater [than top-down changes]”. Despite this position, when Director General 1 described the activity of a non-governmental organization (NGO) he considered to be the embodiment of entrepreneurship in education, he seemed to be aware that the NGO could not have succeeded in a vacuum (i.e., without the support of the Ministry of Education), and he actually explained that when the ministry stopped supporting the NGO, its activity dropped significantly and it ceased to exist. Director General 2 presented entrepreneurship as a concept based on the understanding that there are “forces” external to the Ministry of Education that may affect the system: “Entrepreneurship [is] ... a concept that provides tools, and trust in the fact that there are many forces that can affect children’s education, which are not just the ministry”. Director General 4 showed a perception that entrepreneurship grows from the bottom up: “I usually felt and tried to make others realize that entrepreneurship grows from the bottom ...”. On the other hand, later in the interview she emphasized the need for a government policy to promote entrepreneurship in education:

We are talking about a value that enables anyone in the system—a teacher, a student, a position holder—to understand that entrepreneurship is part of their excellence. I think it has to be one of the next things to happen in the system, otherwise we will not be able to adapt ourselves to the needs of the new world.

Director General 5 also exposed a complex relationship between the role of the government and that of “the field”:

There is a debate whether, when you lead a change in the system, you should lead it from top-down or bottom-up, and the truth is probably somewhere in the middle. No change in the world will happen if you won’t bring it from both the top and the bottom. The bottom—that’s the entrepreneurship. The bottom is enabling the education system, the schools, the educational personnel, the students, the teachers, the parents—to do it in their own way.

Later, she added:

It's the role of the system to allow the people within it ... to create a certain mandate of policy that always looks to the future. Not to be responsive. To be able to say, Okay, this is the twenty-first century. In twenty years, it will look different from now. Let's start developing thoughts and ideas, and bring them into the system ... or the system will build its innovation from the bottom, but even from the top—the headquarters cannot be chasing its own tail, so you need both ... my role is to produce the infrastructure that will allow them to do it.

It is interesting that the interviewees chose to emphasize the role of entities external to the education system in promoting entrepreneurship and the collaborations the state established with such external entities. It seems that one of the most significant forces promoting entrepreneurship in education from the bottom up are external entities such as NGOs and business sector-related organizations. For example, Director General 1 said that:

Entrepreneurship is not related to a general system ... and I'll get right to the practical point: there is one association in Israel, just one, that deals with entrepreneurship, with teachers' entrepreneurship. I fell in love with it ... the administrative board of the NGO included people from the Ministry of Education, so it also had an official seal of approval.

He later said: "It's very hard for a person, an entrepreneur, to act in the education system ... even if he has the best idea ... who *can* come up with them though? Organizations". Director General 2 said something similar: "[During my time] there was a lot of room for entrepreneurship outside the Ministry of Education, from entities coming up with ideas". Director General 5 even mentioned the major role played by external entities in implementing entrepreneurship in the system and the cooperation these entities maintain with the Ministry of Education: "We established entrepreneurship hubs with external organizations".

Considering her remarks, it seems that during Director General 5's time there was reference (even if wanting and random) to the dimensions of entrepreneurship policy in the business sector identified by Stevenson and Lundström (2005, 2007), which are detailed above. Her words thus encompass the perception that entrepreneurship is accessible, applicable and desired (the motivation-related dimension) and can be acquired

through the education system and professional networks (the skills-related dimension). Director General 5 even emphasized the entrepreneurship-supporting environment which the Ministry of Education created during her time in post and the accessibility of knowledge, networking and ideas (the dimension related to opportunities). Thus, for example, she mentioned that “the role of the headquarters is to produce shelf products” for people who “face difficulty with entrepreneurial issues”.

Another aspect relevant to Stevenson and Lundström’s opportunities-related dimension is the regulatory environment. The involvement of external entities in promoting entrepreneurship in the education system was enabled by the regulatory environment during the service of the interviewed policymakers.<sup>3</sup> It seems that when it comes to promoting entrepreneurship in education, the external entities that operate within the education system greatly shape both the field and government policy. We can observe the process of generating a policy promoting entrepreneurship from a social-cultural point of view, which understands policy as a deep political process of cultural production designed and shaped by versatile social players (Levinson et al., 2009).

#### 4.2.2 *Entrepreneurship Policy—Fragmented, Marginal and Peripheral*

Despite the positive aura of the term entrepreneurship in education, the interviews with policymakers revealed that over the years the subject of entrepreneurship was not part of the government agenda and in fact the existing policy in this regard is broken and a marginal part of the education system. Director General 4, for example, stated that:

[Entrepreneurship policy was not] a mainstream policy, like the improving achievements programme we’ve been talking about ... I don’t feel that, in the 35 years I’ve been in the system, entrepreneurship per se was ever one of the leading priorities ... when you look at the system from above, you see a lot of islands of entrepreneurship, some are bigger, some are smaller, but you cannot pinpoint a strong colour and tie all these islands together into a coherent image of policy.

In addition, she said: “Entrepreneurship is not a leading value ... it’s not a term that leads a policy like excellence”. Director General 3 said that it was not on the government’s agenda during her time in post: “Entrepreneurship as an agenda? Of course not”.



Director General 4 explained why this issue was absent from the government agenda:

During recent years, at the end of the day, it [entrepreneurship] was not the leading aim. Because what really bothered the state of Israel was that it was lagging behind in everything related to achievements. In recent years, they realized that if the state of Israel did not change its position from way back at the end of the line and start to boost itself up a couple of steps at a time ... and this is exactly what started to happen. And when this happens, you really *can* make more time for [entrepreneurship].

Unlike the discourse on entrepreneurship in the business sector, which reflects a clear understanding of the relationship between entrepreneurship and economic growth (Cuervo et al., 2007; Drucker, 1985; Foster, 1986; Morris & Lewis, 1991; Morris & Sexton, 1996; Peters, 1987), according to the discourse of the educational policymakers, there is no connection between entrepreneurship and improved academic achievement, and in fact the discourse on entrepreneurship among education policymakers remains disconnected from the discourse on achievements (which has been the dominant discourse among policymakers over the years). This finding is particularly interesting when one notes the close connection between achievements in international tests and the economy. Director General 1 stated that:

At the state level, you are preoccupied with a million other things that are more important [than entrepreneurship]: parents' choice, should there be tests or not, should there be matriculation exams or not, will we succeed in the international tests or not? These questions are very important ... If you ask me, I never thought [that there was a connection between entrepreneurship and success in international tests].

Unlike the other interviewees, Director General 5 stated that entrepreneurship was part of the ministry's strategic plan during her time, but she too neglected to emphasize the connection between promoting entrepreneurship and improving academic achievements: "Even opening the registration zones and promoting school uniqueness. What is this uniqueness? Again, it's to create, to initiate, to paint yourselves, define who you are, make yourselves stand out".

These perceptions reveal that the issue of promoting entrepreneurship in education was not perceived by policymakers to be a coherent policy

“which stands alone”, but rather as a broken and fragmented one, tied to or embodied in other types of policy. In relation to this, Director General 2 said that entrepreneurship was not part of the agenda, “It was *ad hoc*. When we wanted to encourage reading, we used various initiatives to promote reading among first-graders ... [It was] not a stand-alone value”. Director General 4 connects entrepreneurship to autonomy and twenty-first-century skills:

Today there is a growing understanding that teachers and principals need autonomy in their schools ... There is a lot of talk today that school does not really train the mature adolescent with the tools they will need for the twenty-first century. And I do make a connection between the two.

Another interesting finding from the interviews regarding policymakers’ perception of policies promoting entrepreneurship in education is that entrepreneurial policy is peripheral in that it is associated with the periphery of the education system. Eyal and Inbar’s (2003) findings show that peripheral schools are more entrepreneurial than centre-located schools, since the geo-social location of the periphery can be used as a mechanism for partially bypassing the considerations of the central system, which enables school activism manifest in the school principal’s independent initiatives. The interviews with the policymakers showed that, in their opinion, entrepreneurship exists on the periphery of the education system, though they did not refer to it (at least directly) in a geo-social locational context. Director General 4, for example, saw entrepreneurship as something reserved for “those who can afford it”:

Entrepreneurship is a luxury, something that’s nice to have. It belongs to places that can afford it: “we have reached a crisis point, let’s reinvent ourselves” or “we’re so good, let’s be an entrepreneur branch, let’s belong to experimental schools which are an international league”. But, again, an international league is not everyone’s league... That’s also part of the prestige that comes with it.

Even Director General 2 connected entrepreneurship to the periphery of the population (in this case, she related it to weakened populations):

The Ministry has its regular hours, its standards, its supervision, but there is also the great expertise gained from the universities—Bar Ilan, the Hebrew University, the Research Institute for Innovation in Education. At Bar Ilan

they gave it a different name ... that's the speciality of working with children from a low socio-economic background or, as they called it, "disadvantaged".

Director General 4 said: "[entrepreneurship] stayed within specific schools and a few more that came to learn from them".

#### 4.2.3 *The Difficulty of Declaring an Official Entrepreneurship Policy in Education—Concern About Public Criticism*

Another theme arising from the interviews relates to the difficulty of explicit statement of entrepreneurship policy in the education system. The main difficulty here revolves around criticism of the public discourse regarding the penetration of neoliberal discourse into the education sector in general and the introduction of an economic-management discourse and activities in particular (Yemini, 2012).

One relevant criticism is that the penetration of neoliberal-economic discourse into education will lead to the state's retreat from its commitments on education, will damage the quality of education and increase inequality between the strata of the population. This finding is particularly interesting in light of the positive aura of the term entrepreneurship. It seems that despite this positive aura, it is difficult to express the issue of entrepreneurship (and all the aspects that come with it) within a government policy, due to concern about public criticism.

Director General 2 referred to this:

If you ask me about what happened in my time, [entrepreneurship] was not explicit, it was ... part of the tune. It is very difficult for a government to promote [entrepreneurship], the slanderers will soon consider it as the government's escape from responsibility ... It's very difficult to tell the difference between entrepreneurship that is really educational and entrepreneurship that has some hidden agenda ...

Director General 1 said similar things:

We said 'commercial entities'—and what an attack I was under—I said that I thought we should allow commercial entities to enter and fund all sorts of enterprises in the school [system] ... boy-oh-boy, what the press did to me. And I had to start justifying myself ... The word "entrepreneurship" did not come up ... there's a very strong lobby of Israeli groups on this issue.

## 5 CONCLUSION

The increasing interest in entrepreneurship is not unique to the business sector, and in this era in which schools must face new and complex challenges, the preoccupation with and discourse on entrepreneurship have become more common in education systems around the world. Despite the prevalence of the discourse on entrepreneurship in education in recent decades, the issue of government policy promoting entrepreneurship in education has attracted little attention from researchers and very little is known about the means, rationales and attitudes towards this policy in national education systems. This chapter—focusing on Israel, which is considered a start-up nation, where entrepreneurship is common and natural (Senor & Singer, 2009)—has sought to respond to the lack of research in this field.

Through open-focus interviews with senior government policymakers in the field of education in Israel, this study examined, characterized and analysed the government discourse on policy promoting entrepreneurship in education over a decade, and provides several significant insights. The first relates to the way policymakers perceive the term “entrepreneurship in education”. The interviews exposed a common factor in policymakers’ attitude towards the issue: it was expressed through associative terms of feelings, emotions and other obscure metaphors, all bearing a positive context. All of them put the individual at the centre of the discussion. Regarding definitions common with entrepreneurship in the business sector, it seemed that when the discourse on entrepreneurship (which originated in the business world) penetrates the education sector, the discourse becomes emotional, vague and intuitive, with abstract images like passion, a sparkle in the eye, energy, and so on (i.e., there is a lack of a practical, pragmatic, defined and result-oriented discourse). This finding can be interpreted as noncompliance of the education sector with the managerial and neo-liberal notions that have entered it. Indeed, the borrowing of entrepreneurship discourse occurred in the context of increasing neoliberalism and privatization, but policymakers transformed the borrowed theme into a different notion, involving emotional images instead of an economic and quantitative business-like discourse.

The second insight relates to the policymakers’ perceptions of the role of government in promoting entrepreneurship in the education system. Despite agreeing on the importance of promoting entrepreneurship in education, the interviews exposed differences of perception. These

differences mostly concerned the relationship between two attitudes: that entrepreneurship has to grow from the “bottom”, and that central government should take a major role in promoting entrepreneurship in the education system. One of the more interesting points in this context is the significant role which the policymakers attributed to entities external to the education system in the promotion of entrepreneurship in it, and the importance of those entities when it comes to shaping the educational field and government policy. Indeed, NGOs are noted as prominent actors in education (Yemini & Sagie, 2015).

The third insight refers to the level at which entrepreneurship is perceived to be institutionalized within the education system. It seems that, despite the positive perception of the term “entrepreneurship in education” among stakeholders, the issue of promoting entrepreneurship in education is not realized within a coherent, stand-alone policy, but remains fragmented, and tied to other types of policies, existing on the periphery of the education system. One possible explanation of this is that, unlike in the discourse on entrepreneurship in the business sector, which reflects clear understanding of the connection between entrepreneurship and economic growth, the discourse of the education policymakers shows that, in their opinion, there is no correlation between entrepreneurship and academic achievements. And so the discourse on entrepreneurship among education policymakers remains disconnected from the discourse on competition and performance (which has been the dominant discourse among policymakers over the years).

Another explanation leads us directly to the fourth insight, which relates to the basic difficulty of making an explicit statement about entrepreneurship policy in the education system. Policymakers seem unable to ignore common public criticism of the penetration of neoliberal discourse into the education sector in general, and of economic-management discourse and activity in particular.

The preoccupation with entrepreneurship in the education field involves multiple and complex challenges. While the connection between entrepreneurship in the business sector and the products that it should yield (i.e., economic profit) is obvious, when one tries to confront the issue in the education sector, the matter becomes complicated and raises a series of fundamental questions, whose answers can be very multifaceted. Thus, for example, one may ask why entrepreneurship in education should be promoted at all. Ostensibly, borrowing from the business sector, the answer is clear: in order to improve performance. But what do we mean

by performance or profit when we talk about education? Another question that must be faced is whether entrepreneurship is a value which stands on its own, or is merely a means to an end? These complex questions about the role of the education system naturally make it harder to investigate the field and, of course, to create a coherent policy.

## NOTES

1. The Director General of Ministry of Education works side by side with the Minister of Education and is appointed by the latter. The Director General is the highest authority in the Ministry of Education (after the Minister of Education).
2. In order to ensure the anonymity of the five interviewees, any detail that might reveal their identity has been omitted.
3. In December 2010, the Ministry of Education published a Director General Circular titled “Procedures for Approving External Programmes (Third Sector and Business Community Entities)”, to organize the process of approving educational programmes in educational institutions. The circular was not applied in practice (Israeli State Comptroller, 2011), and only recently did the issue of combining external entities in the education system resurface on the Ministry of Education’s agenda, as expressed in the Director General Circular, the results and consequences of which in the field are yet unknown.

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# The Effects of Institutional Change on Austrian Integration Policy and the Contexts that Matter

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## I INTRODUCTION

In the literature on public administration and policymaking, institutions are considered important as they shape collective regulation and public policies (March & Olsen, 1993; Peters, 2012). While a growing body of literature is available on the reasons and forms of institutional change (Koning, 2015; Mahoney & Thelen, 2010; Rocco & Thurston, 2014; Streek & Thelen, 2005; see also Bakir & Jarvis in this volume), less research has been done on the influence of institutional change on policy change. We have little knowledge of whether and how institutional reform can instigate changes in policymaking and the policy outputs produced. The literature on institutionalism generally focuses on established areas (economy, finance, foreign affairs, social affairs, etc.) and neglects emerging policy areas, especially emerging policy areas of low status within the architecture of government and public administration. This chapter contributes to filling this gap and focuses on the potential and impact of institutional reform on public policy in an area of steadily growing relevance,

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that of immigrant integration. It utilizes the introduction of an executive actor in the Austrian government, the State Secretary for Integration (SSI), as a case study to respond to two research questions: What forms of public policy change are stimulated by a new executive actor in the novel policy area of migrant integration? How can these policy changes (or the lack thereof) be explained by the contexts and facilitating conditions in which the new executive actor is embedded?

The SSI provides a perfect case for analysing this institution-policy relationship, as it presented an institutional stimulus for policy change in the contested yet increasingly dynamic policy area of immigrant integration, which in previous decades had been given little priority by the Austrian national government. However, our study's empirical findings on policy determination and policy contents provide mixed evidence of the change stimulated by the SSI, demonstrating the potential and the limits of this new executive actor. In what we describe as a "depoliticized approach" to governance (Benton, McCarthy, & Collett, 2015; Fawcett & Marsh, 2014; Flinders & Buller, 2006; Flinders & Wood, 2015), we find that the SSI contributed to a new political style by redesigning governmental discourse and the modes of policymaking while maintaining the same legislative path as before.

To explain these divergent outcomes, we draw upon the literature on the embeddedness of executive actors (Baum & Oliver, 1992; Granovetter, 1985; Haxhi, van Ees, & Sorge, 2013; Scharpf, 2000), arguing that a new government actor depends on different types of context—institutional and non-institutional—as well as on situational facilitators that promote change in certain areas while hindering it in others. Institutional complementarities (Amable, 2003; Campbell, 2011; Crouch, 2010; Crouch et al., 2005; Höpner, 2005), partisan politics (Schmidt, 1996; Woldendorp, Keman, & Budge, 2000), as well as favourable situational macro-conditions (Keller & Yang, 2008; Sabatier & Jenkins-Smith, 1993; Sager & Rielle, 2013) and structural complementarities (Bakir, 2013, 2017) are the most important elements in this case. Our discussion shows how these different contexts and facilitators interact in shaping the impact of institutional reform of the priorities and directions of policy. In this way, our chapter contributes to the conceptualization of policy change and to theorizing the conditions of a new executive actor's stimulus for policy change while also providing rich empirical findings and documenting how different contexts matter.

## 2 CONCEPTUALIZING THE NEXUS OF INSTITUTIONAL AND POLICY CHANGE

How can we grasp the relationship between institutional and policy change analytically? The following section outlines the framework by clarifying our conceptions of institutionalization and the dimensions of policy change considered in the empirical analysis.

### 2.1 *Institutionalization as a Stimulus for Policy Change*

Public administration research conceives institutions as stable patterns of governance and power structures or as formal organizations (Hult, 2003, pp. 149–150). They are perceived as providing “ex ante agreements about a structure of cooperation” that organize joint actions, avoid social or political disorder and, ideally, optimize the cost-benefit ratio of governance (Shepsle, 1986, p. 74). From an organizational perspective on public administration, institutional change generally refers to formal changes in organizational arrangements, such as the restructuring of the rules of cooperation, the rearrangement of competences or the addition/removal of new/old authorities to/from the institutional setting (Hinings, Greenwood, Reay, & Suddaby, 2004; Stromquist, 1998). As a form of institutional change in public administration, the institutionalization of new executive actors implies a reassignment of previous competences for a policy area with the objective of enhancing their status within the institutional architecture (Koning, 2015; Schout & Pereyra, 2011). To understand policy change resulting from institutionalization, the analysis must consider not only the organizational structure but also the driving forces and conditions that shape its development. Research on “institutional entrepreneurship” (Fligstein, 1997; Garud, Hardy, & Maguire, 2007) or “institutional work” (Hwang & Colyvas, 2011; Lawrence & Suddaby, 2006) indicates that actors and institutions “are mutually constitutive of one another” and analyses how “institutions themselves are produced and reproduced” by the actors driving them (Jackson, 2010).

Based on this understanding of institutional change, our chapter studies the way in which political parties “leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, & Lawrence, 2004, p. 657), such as government institutions. It argues that the introduction of a novel ministerial player—with executive competences—into the government architecture offers an opportunity for parties to operate as

institutional entrepreneurs and “to realize interests that they value highly” (DiMaggio, 1988, p. 14). We agree with Egeberg (2003, p. 118), who emphasizes an intrinsic need for legitimacy and longevity in new institutional players. They seek to be perceived as “desirable, proper, appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Moreover, as novel actors, they are expected to provide innovation in a policy area in order to overcome previous institutional settings and outputs, whose shortcomings triggered institutional adaptations in the first place (van de Ven & Hargrave, 2004). Innovation and legitimacy are therefore two major intrinsic pressures on novel executive actors that suggest public policy change in various dimensions as a likely result.

The introduction of an executive actor can instigate changes in the way policies are recognized, defined and processed, especially in emerging policy areas with little tradition of regulation or governmental priority (Balch & Geddes, 2012; Dorado, 2005). In contrast to mature policy areas (e.g., economy, security, education), the stakes in emerging policy areas are less deadlocked, innovative positions and new forms of governance have a greater chance of being considered and the lack of experience grants greater voice to external experts (Buonanno & Nugent, 2013; Collett, 2015). However, the evaluation of this potential depends on the way in which policy change is conceptualized and on the dimensions of public policy that are taken into consideration.

## *2.2 Mapping Dimensions of Public Policy Change in the Area of Integration*

While public policy can be defined broadly as the “sum of government activities” (Peters, 1999, p. 4) that are “revealed through texts, practices, symbols, and discourses” (1997, p. 2), empirical study needs to specify which of the several dimensions of public policy change are the object of analysis. As we are interested in both the content and the determination of public policy (Fox, Bayat, & Ferreira, 2006; Gordon, Lewis, & Young, 1977; Parsons, 2001), we use this distinction as a departure for our analytical framework (see Table 8.1): “Policy determination” refers to the patterns in which public policies are constructed and concern (1) policy instruments and (2) forms of policymaking.

Regarding policy instruments, scholars traditionally separate legal, economic and communicative instruments (van der Doelen, 1989), which

**Table 8.1** Analytical framework for policy change in immigrant integration

<i>Level</i>	<i>Policy determination: instruments &amp; modes of policymaking</i>		<i>Policy content: discourse &amp; legislation</i>		
Indicators of change	Adapted use of legal, economic, communicative instruments	Shifting extent of pluralism and technocracy	Position shifts between liberal and restrictive	Position shifts between cultural and economic	Emphasis of other integration dimensions

Note: Authors' framework based on Gordon et al. (1977)

relate to the stick (regulation), the carrot (subsidies) and the sermon (information) in Vedung's (2010) famous metaphor. Legal decisions represent the regulatory aspect of policymaking and are at the core of public policy analysis (Knoepfel, Larrue, Varone, & Hill, 2011, p. 18). Economic instruments (such as subsidies for projects, groups, etc.) represent the distributive aspect of public policymaking and express government rationales in a different but equally important way. Finally, communicative measures (events, campaigns, brochures, media appearances, etc.) ensure the informational aspect of explicating the government's ideas and principles in a policy area (Bemelmans-Videc, Rist, & Vedung, 2010; Peters & Van Nispen, 1998). This chapter analyses policy change by investigating which of the three aspects (legal, economic and communicative) are emphasized more strongly than previously.

The study of policy determination also focuses on changes in the modes through which policy output is created (i.e., how different actors and organizational norms inform the policymaking process)—for example, analysing the role of elites, pluralism, corporatism or expert inclusion (Parsons, 2001). Within integration policymaking, three modes have been considered of particular interest due to their emerging, transversal and contentious nature: the transversal policy area of integration is conceived as a prototype for pluralistic governance that includes stakeholders, care organizations, NGOs, and so on (Czada, 2010; Desiderio & Weinar, 2014); furthermore the role of experts is regularly emphasized as a vital element in a policy area that is still in the making (Scholten, Entzinger, & Penninx, 2015); lastly, in light of the controversial nature of the issue, symbolic communication is considered a key element for an integration approach with lasting success (Martiniello, 2006). Our analysis investigates whether these modes of policymaking have intensified as a result of institutional change.



The analysis of policy content focuses on the positions, preferences and values that are expressed through public policies. The ideational dimension of policy is an important indicator of policy change (Béland, 2009; Campbell, 1998; Schmidt & Radaelli, 2004). Expressed through broad discursive structures, such as narratives or frames, ideas can shape common perceptions and legitimize further action, signalling shifts in underlying policy paradigms (Hall, 1993; Roe, 1994). In order to identify shifts of this kind, this chapter investigates whether the Austrian government's policy narratives of integration change as a result of institutional reform. Policy narratives express ideas using storytelling elements, such as settings, plots and characters, that are "disseminated toward a preferred policy outcome" (Shanahan, Jones, & McBeth, 2011, p. 539). As Balch and Geddes (2012) have shown with reference to the UK immigration system, the establishment of new executive actors can encourage considerable modifications in policy narratives.

The regulatory dimension of policy represented by legislation standardizes governmental policy preferences. Government specifies its key priorities and positions through legal decisions (Birkland, 2011, p. 9). Thus policy analysis of migrant integration has largely focused on the analysis of the legal framework for integration (Zincone, Penninx, & Borkert, 2011). Drawing on this literature, this case study investigates policy content on the basis of two criteria. First, we ask whether changes in the scope of integration dimensions occurred (i.e., whether the new executive actor emphasizes different dimensions of necessary integration than before). Second, we analyse whether the direction of policy positions changes between restrictive and liberal tendencies on the one hand, or cultural and economic tendencies on the other (for operationalization, see Sect. 4).

This analytical framework is applied to the case of Austrian integration policy after the establishment of the SSI, to which the next section provides a cursory introduction.

### 3 IMMIGRANT INTEGRATION: AN EMERGING POLICY AREA

Immigrant integration has only slowly emerged as a dynamic policy area in Europe. Because of its transversal configuration, for decades it was not perceived as a distinct topic of political activity (Guiraudon, 2003). During the post-war period of economic growth, most Western European policy-makers cherished the illusion that immigration was temporary, and so no

long-term integration efforts were considered necessary (Wiesbrock, 2013). Only when immigration was recognized as a permanent phenomenon, when public controversy and party politicization had reached critical levels, were these assumptions set aside (Borkert & Penninx, 2011; Heckmann & Schnapper, 2003). At the level of the European Union, steps were taken to put the topic on the common agenda and at the same time national governments started to increase their integration efforts, following a trend towards civic integration measures (Joppke, 2007) and the establishment of new institutional structures and actors (Gruber, 2017).

Austria is no exception to these developments. Despite its long history of immigration, politicians had widely refused to conceive the country as one of immigration until recently. Originally, the guest worker regime negated the need for any concerted form of integration policies. Consequently, integration was almost a non-issue for decades and an appendix to immigration policy largely left to local authorities and non-governmental actors (Kraler, 2011; Perchinig, 2009). In the early 1990s, immigrant integration became a political issue due to rising numbers of labour immigrants, a wave of refugees from the Yugoslavian civil wars and the growing politicization of fringe parties on both right and left (Gruber, 2014; Strasser & Tošić, 2013). Immigrant integration climbed the political agenda, largely in a negative tone stressing the failures of newcomers' efforts to integrate. In response to far-right campaigns, the centrist coalition government formed by Social Democrats (SPÖ) and the conservative People's Party (ÖVP) began to introduce integration policies under a largely restrictive approach (Mourão Permoser & Rosenberger, 2012).

In institutional terms, the main responsibility for integration remained at a sub-departmental level of the Ministry of the Interior. Even after the election of a right-wing coalition government in the year 2000, formed by the ÖVP and the far-right Freedom Party, the low-key assignment was maintained, but the role of the long-established Austrian Integration Fund rose from being an agency for refugee support to actively executing integration measures for all strands of immigrants. It became instrumental in the implementation of the so-called "Integration Agreement" which was introduced in 2003 and marked a contested move towards formulating criteria which the state considered necessary for successful immigrant integration (Mourão Permoser, 2010).

But with the return of the centrist grand coalition government and years of consultation with academic experts, non-governmental stakeholders and officials from various levels, a cohesive national integration programme was

formulated in 2010, accompanied by the establishment of two advisory Councils on Integration.<sup>1</sup> Finally, in 2011, the integration agenda was promoted in the ministerial hierarchy. As part of a cabinet reshuffle, the centre-right ÖVP introduced a State Secretary for Integration (SSI), the first high-level executive actor specifically charged with immigrant integration. Assigned to the Ministry of the Interior, its executive power and responsibilities were limited because, constitutionally, state secretaries<sup>2</sup> are subject to their superior line ministers. However, depending on the leeway granted by their superior, state secretaries can take on a significant role in setting new agendas, establishing networks and channels of communication, promoting public attention, ensuring inter-ministerial coordination and stimulating legislative proposals. Against this background, the SSI provided an institutional stimulus intended to bring about change in policy determination and content. Over a period of 30 months the SSI gave immigrant integration politics a face and a voice before being upgraded to the status of a federal ministry after the general election in 2013.

#### 4 DATA AND METHOD

The findings presented in this chapter result from an instrumental holistic single-case study (Baxter & Jack, 2008; Levy, 2008). Its instrumental, theory-guided approach aims to contribute to existing theoretical explanations for the relationship between institutional and policy change. The focus on a single holistic case is based on the aspiration to provide an in-depth understanding of the broadest possible set of factors influencing this relationship. The choice of the Austrian SSI's establishment as the study's focus is due to the interplay of a number of case characteristics that make it an ideal object of analysis. It does not provide only a case of high-level ministerial institutionalization of migrant integration: as the innovation occurred halfway through the legislation period, its impact can be explored in an otherwise consistent institutional setting (same government constellation, migration conditions and patterns of party competition). Moreover, the conditions for migrant integration in Austria thus provide an insightful context. The country has one of the highest shares of non-national population in Europe, yet it also has one of the most restrictive integration policies according to MIPEX 2004/2007/2010 (Geddes, Niessen, Balch, Bullen, & Peiro, 2005; Huddleston, Niessen, Chaoimh, & White, 2011; Niessen, Huddleston, & Citron, 2007). These conditions have been

linked to the powerful presence of far-right populist parties, who have successfully put these issues at the top of the public and political agenda (Gruber, 2014). In this highly politicized climate, and with public opinion critical of immigration (Rosenberger & Seeber, 2011), the Austrian SSI represents a model case to study the effects of ministerial institutionalization of migrant integration.

To identify whether policy change actually occurred, this study compared two phases of the Austrian parliament's 25th legislation period (2008–2013), the so-called pre-institutionalization phase (2008–2011) and the SSI's period of action (2011–2013).<sup>3</sup> The data came from different arenas: in the media arena, we analysed media articles ( $n = 431$ ) and press releases ( $n = 225$ ) alongside statements by the major ministerial actors in the policy area of integration; in the parliamentary arena, we coded plenary agenda items ( $n = 110$ ) that included references to the subject of integration made by members of government parties (see Fig. 8.1). We conducted a narrative analysis of these discursive materials which coded the elements of policy narratives—characters, plot, solutions, causal mechanisms—as outlined by Shanahan et al. (2011). Moreover, to evaluate the legislative dimension of policy, we conducted a document analysis of bills explicitly relevant to integration passed by the Austrian National Council ( $n = 82$ ), coding the initiator, the legal content and the addressee (for the list of bills, see Appendix 3).

Following this initial coding, the findings in two aspects were evaluated. On the one hand, we evaluated the scope of the integration dimensions addressed. Since immigrant integration represents a transversal policy issue, integration dimensions refer to the different policy fields in which integration is claimed to occur and where policy measures must be taken (e.g. education, employment, housing, health system, welfare system, citizenship) (Ager & Strang, 2008; Council of Europe, 1997; Penninx & Garcés-Masareñas, 2016). On the other hand, we evaluated the direction of policy positions on two orthogonal categories, a liberal-restrictive and an economic-cultural dichotomy. Liberal positions refer to the strengthening of immigrants' rights, affirmative action or a focus on positive aspects of migration in a two-way process of mutual accommodation (Carrera & Atger, 2011), while restrictive positions favour a tightening of existing regulations, securitization and/or a focus on the unfavourable aspects of migration, and are marked by the perception of integration as a process mainly requiring efforts from immigrants (Scholz, 2012). Cultural/ethnic arguments may focus on cultural differences and

address immigrants in categories such as linguistic, religious or ethnic groups, while economic/civic arguments may focus on labour market performance and immigrants' personal merit (Entzinger & Biezeveld, 2003; Joppke, 2007; Koopmans, Statham, Giugni, & Passy, 2005).

In addition to the content analysis, expert interviews were conducted with leading public officials of the Ministry of the Interior, the State Secretariat for Integration and the Austrian Integration Fund. Ministerial reports on integration measures were consulted to validate the findings (see the list of interviews and reports in Appendix 1).

## 5 RELATING INSTITUTIONAL INNOVATION TO POLICY CHANGE: EMPIRICAL FINDINGS

In evaluating the impact of the SSI as an institutional novelty on public policy, one empirical result stands out: while major changes concerned the applied instruments, the modes of policy determination and shifts in the policy narrative, the content of the government's integration legislation resembled that of the pre-institutionalization period.

### *5.1 Changes in Policy Determination and Content: Sponsorship, Technocracy and Meritocratic Discourse*

The SSI entered the political stage proclaiming a "new approach to integration policy" (State Secretariat for Integration, Press release, 6 July 2011) that comprised a number of modifications in both policy determination and policy content.

#### *5.1.1 Technocracy*

One major innovation encouraged by the SSI was the unprecedented use of external expertise, a familiar practice in institutionalization processes (Lawrence & Suddaby, 2006). The crucial body for this approach became a council of renowned academic figures whose chairman quickly suggested that the State Secretary should essentially rely on the council's proposals and just implement them:

Heinz Fassmann, chairman of the Expert Council for Integration introduced by the government in January to implement the "National Action Plan for Integration", says the council will complete work on its suggestions and present them in June. Thus it's an easy task for State Secretary

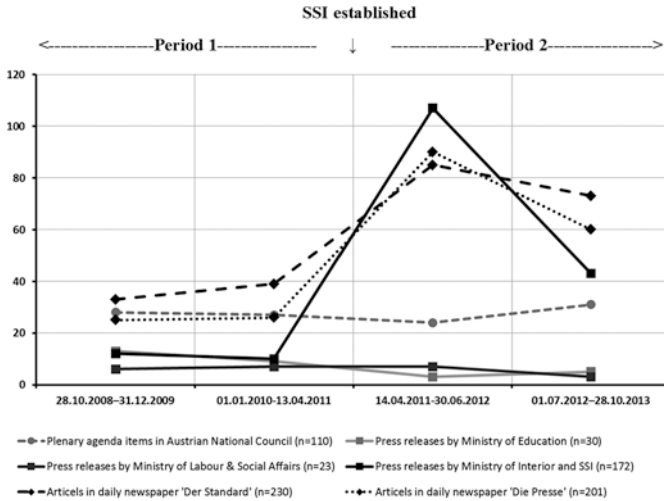
Kurz: he does not need to develop a programme himself, but can simply present an already prepared programme to the outside world. This is exactly what Fassmann would recommend the State Secretary to do. (*Die Presse*, 21 April 2011)

Subsequently, the Expert Council became the centrepiece of a technocratic mode of policymaking which grants experts the role of policymaker entitled to define policy issues and to develop solutions, while politicians focus on safeguarding the overall direction and selling the results (Bell, 1976; Scholten et al., 2015). The Expert Council was granted major control over the design of integration measures to be pursued by the government and translated the National Action Plan for Integration's general priorities into concrete steps. The SSI repeatedly endorsed the council's key role (BMEIA, 2011, p. 1) and this technocratic approach not only supported the SSI's claim of objectivity, it also assisted in de-politicizing the contentious issue of immigrant integration.

### 5.1.2 *Government Voice and Sponsorship*

The technocratic shift in policymaking paved the way for another element of the new approach (i.e., the proactive use of public communication). As Fig 8.1 shows, the number of media articles featuring government claims on integration and press releases issued by the Ministry of the Interior and the State Secretariat increased drastically after the SSI's establishment. These activities ensured an unprecedented degree of public and media attention for the subject of integration, now endowed with the mark of governmental authority. Other relevant ministries, such as the Ministry of Labour and Social Affairs or the Ministry of Education (both led by the coalition partner SPÖ), maintained a low number of press releases throughout the whole legislation period. The institutional innovation did not raise the number of debates on integration in the parliamentary arena either. Eventually the SSI became the main government representative to the public and to political stakeholders outside the government and parliament.

Another element of change concerned increased distributive intervention via subsidies for and symbolic endorsement of individual projects—an instrument that grants more flexibility to political actors than the long und obstructive legislative process. The SSI publicized and subsidized numerous initiatives, but also stipulated new initiatives, such as integration prizes, subsidy programmes for young entrepreneurs or jobseekers, and



**Fig. 8.1** Number of relevant plenary agenda items, press releases and media articles

campaigns with successful immigrants acting as role models for integration, with the effect of drawing attention to the issue:

The State Secretary put the spotlight on these activities. For years, we [the ÖIF] dealt with these things in the dark. Not being politicians, we rather focused on the content. And all of a sudden there was someone who turned on the light. [...] He was a real integrative figure, took the rough edges off the topic and brought people on the stage who would not have gone there in previous years. He signalled to them that he appreciated what they were doing. (Interview 1, Vienna, 14 April 2015)

In terms of material endorsement, the total sum of funding (including both national and European resources) distributed by the government in the field of integration grew by more than 50% from 2010 to 2013, from about €7,850,000 to €12,060,000 (BMEIA, 2014; Mühlhans, 2011).

### 5.1.3 *Shifting the Policy Narrative*

With regard to policy content, the SSI positioned itself as a neutral, apolitical force between “dreamers on the left and agitators on the right” (State Secretary Sebastian Kurz in *Die Presse*, 24 April 2011). It fostered a rhetoric that allowed feasible answers to challenges without risking the muddy waters

of a hostile approach *vis-à-vis* immigrants—the introduction of a meritocratic narrative. The formula “What counts is a person’s merit, not his origin” became the SSI’s mantra guiding its integration approach:

In the policy area of integration, it’s about tackling the challenges and solving the problems. For this reason, we choose a complete new approach, that is “Integration on the basis of merit”. The origin of a person and his religious affiliation shall not be important, but his character and his willingness to make an effort in professional and social life and to achieve acknowledgement as a result of this effort. (State Secretary Sebastian Kurz, Press release, 6 July 2011)

This narrative shift represented a push towards broadening and liberalizing the debate. It signalled a departure from the previous emphasis on cultural and value-oriented civic integration measures and supported a pragmatic approach which targeted economic participation that is most accessible for state interventions. At its centre were demands for the incorporation of newcomers into the educational system, for their access to the labour market, but also for voluntary contributions to their neighbourhoods. Acculturation claims did not vanish *per se*, but they were portrayed as a functional outcome of successful economic integration. More importantly, unlike the restrictive statements on cultural values made in previous years, the remaining cultural discourse took on a more liberal tone, emphasizing respectful exchange, welcoming immigrants’ competences as an asset for Austria’s position as a business location and, eventually, acknowledging that Austria was a country of immigration. Thus the SSI helped to transform a culturally impregnated discourse including both restrictive and liberal elements into a liberal and economic discourse under a meritocratic narrative. This further supported a depoliticization of the issue. The former head of the Austrian Integration fund said: “I believe they wanted to neutralize the topic and eventually they managed to separate it somewhat from partisan wrangling for a while” (Interview 1, Vienna, 14.04.2015).

#### 5.1.4 *Conclusion: Depoliticized Governance*

Summarizing the findings on public policy changes, the prevalent approach can be characterized as one of delegated/depoliticized governance (Benton et al., 2015; Fawcett & Marsh, 2014; Flinders & Buller, 2006; Flinders & Wood, 2015). It operates through a technocratic form of policymaking that delegates competences for policy formulation to external experts, thereby allegedly liberating it from partisan motives. The increased distribution of state subsidies to non-governmental organizations and stakeholders providing integration measures fosters this delegating



approach further, while executives focus on the informational competency of promoting policy measures. Its discursive content—meritocratic integration—further substantiates the move towards depoliticization as it replaces the previous controversial contention over cultural integration by focusing more strongly on educational and labour market participation.

## 5.2 *The Limits of Institutional Innovation: Legislative Continuity*

In contrast to the innovations in policy determination and discourse, the regulatory dimension of legislation was mostly shaped by continuity. The analysis of government bills passed by the Austrian National Council indicated neither a change in the scope of integration dimensions nor a change of direction in legislation.

Although there were a number of legislative initiatives, most were either an extension of existing legislative proposals or additions which pursued similar priorities to those that predated the SSI, the most important being the labour market, the educational system and the immigration and residence laws (see Appendix 3). Moreover, most of the legislative measures actually took the same direction that had characterized the pre-institutionalization phase: promoting language training, enforcing mandatory school attendance, combatting immigrants' unemployment and low skills, facilitating the nostrification of academic titles or strengthening existing pre-conditions for the acquisition of citizenship and residence permits (such as language skills, self-sufficiency and integrity, while voluntary work was one of the few elements to gain new importance). Finally, none of the major civic integration regulations introduced in previous years, such as the criteria for long-term residence, family reunification and citizenship acquisition, were actually reversed. Instead, they were expanded by additional criteria or altered by changes to the language or income levels required.

As a result, if one considers those integration dimensions that have traditionally been listed as having restrictive regulations according to the MIPEX-framework (Huddleston et al., 2011; Niessen et al., 2007), the record of changes through institutional innovation was poor. While some improvements were made in educational integration, legislative reforms regarding anti-discrimination and family reunion point in both directions (some more restrictive, some more liberal). On citizenship acquisition and

the political rights of non-citizens, regulations remained as restrictive as they had been before. Recent data provided by the MIPEX project confirm this continuity and Austria's setting of integration policies continues to rank only in the mid-field (14th) of EU countries.

How can these findings on the focus and the direction of policy change be explained in light of the new government actor's embeddedness in various contexts? On the basis of the institutionalist literature on embeddedness, the following section develops and applies an explanatory framework.

## 6 INTERACTING CONTEXTS MATTER: THE EMBEDDEDNESS OF EXECUTIVE ACTORS

A new executive actor's capacity to initiate policy change is contingent upon the settings and conditions in which it is embedded (see Baum & Oliver, 1992; Granovetter, 1985; Haxhi et al., 2013). Most generally, scholars distinguish two types of context under which specific factors can be subsumed: "institutional" and "non-institutional" contexts (Mahoney & Thelen, 2010; Mayntz & Scharpf, 1995; Scharpf, 2000). Our analysis suggests a third type of factor, which we call "situational facilitators", comprising structural macro-conditions at a specific point in time (Table 8.2). What is crucial is that these contexts and facilitators, and their

**Table 8.2** Contextual factors explaining a new executive actor's potential for policy change: The case of the Austrian State Secretariat for Integration (SSI)

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<i>Permanent political contexts</i>	
(Mahoney & Thelen, 2010; Mayntz & Scharpf, 1995; Scharpf, 2000)	
<i>Non-institutional context</i> ( <i>policy area and partisan</i> <i>power-interest configurations</i> )	<ul style="list-style-type: none"> <li>• Transversal and controversial <i>policy area</i> intermingled with related topics (immigration, asylum)</li> <li>• ÖVP's <i>strategic motive</i>: Regaining issue ownership from radical right opponents</li> <li>• ÖVP's <i>ideological motive</i>: Establishing liberal-conservative ideology in integration</li> </ul>
<i>Institutional context</i> ( <i>government structures and</i> <i>type of new executive actor</i> )	<ul style="list-style-type: none"> <li>• Strong <i>horizontal division</i> of competences</li> <li>• <i>Type of executive actor</i>: State Secretariat dependent on other ministries</li> <li>• Potency of <i>legislative path dependencies</i></li> </ul>
<i>Situational facilitators</i>	
(Bauer & Knill, 2014; Kingdon, 1995; Mintrom & Norman, 2009)	
	<ul style="list-style-type: none"> <li>• Low immigration/refugee numbers, lack of terrorist threat</li> <li>• Budget leeway for political intervention, moderate unemployment</li> </ul>

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effects on executive actors, should not be viewed in isolation but in interaction, as this helps to understand why specific policy changes are realized while others are blocked (Bakir, 2013). The following section discusses these contexts and their interaction based on the case study's findings.

### 6.1 *Non-institutional Context*

Novel executive actors are essentially defined by the “non-institutional context” that encourages their establishment and sets their agenda—most importantly, the characteristics of the policy area and the normative orientations of those actors outside of the government realm that are driving institutional change (Fleurke & Hulst, 2006; Marks & Hooghe, 2004). The most striking feature of integration in Austria was its controversial nature as part of the broader debate on immigration, asylum and diversity. In the words of a long-standing top official in the Ministry of the Interior:

In Austria, the issue has always been emotional and it was impossible to discuss it on a rational, objective basis in political fora. In contrast to Germany, if you look at the parliamentary debates there, which are on a very high and rational level, in Austria these debates quickly drift off into extreme positions and those positions always make it into the media. (Interview 2, Vienna, 27 April 2015)

On such controversial issues, new executive actors, endowed with increased resources and legitimacy, are capable of mooted debate in a different way—and it was also a priority for the SSI to “detoxify the situation”, as one high-ranking official confirmed (Interview 3, Vienna, 28 April 2015). The SSI's technocratic mode helped to pacify controversy but also compensated for the lack of executive experience—a step that would not have been necessary in an uncontroversial policy area with a long tradition of governmental policymaking.

However, policymaking is also a consequence of the ideological and strategic motives of non-institutional actors who promoted institutional change in the first place. In parliamentary democracies with a pronounced role of political parties (‘party government’), parties in office use executive government as a means to implement their political programmes (Schmidt, 1996; Woldendorp et al., 2000). In the case of Austrian integration policy, the SSI was presided over by the centre-right ÖVP, the key player behind

institutional change. Its creation helped the party to “get free and to create something of our own, something new, irrespective of coalitional limits” (Interview 3, Vienna, 28 April 2015). The SSI thus played a vital role in the party’s competitive and strategic plans to regain issue ownership in an area dominated by fringe parties and was tied to the ÖVP’s ideology of Christian-democratic liberal conservatism. Depoliticized governance also served the ÖVP’s strategic motive of regaining issue ownership, as it supported the party’s claim to be a centrist alternative to vocal fringe parties on the left and right, but also effectively reduced the potential for partisan critique by opposition parties. Moreover, the pronounced liberal economic shift of a meritocratic policy narrative provided centrist policy content in line with the party’s ideological core. Thus, while meritocratic arguments have traditionally appeared in the party’s political platform, in the area of integration they were presented as an unideological approach, beyond party contestation.

## 6.2 *Institutional Context*

Being part of a broader institutional setting, a new executive actor also relies on a second type of context: the “institutional context”, which defines the scope of its power and its competences. To begin with, the assignment of a new ministerial actor offers an opportunity to redefine the boundaries of a policy area—a potential also exploited by the SSI. The organizational dissociation of the integration agenda from previously connected aspects, such as immigration control and asylum management, supported the issue’s detachment from these rather conflictive aspects and the SSI’s shift towards a depoliticized approach. It also substantiated the establishment of the integration topic as a distinct policy area, not only in organizational logics, but also in the perception of policymakers and the wider public, as the former head of ÖIF confirmed:

I think the pioneering achievement has been to upgrade the topic. It has arrived at the top levels of government hierarchy. And even if one day a new coalition government decides to alter its allocation, the topic itself has become much more relevant to society in general. You can’t discount it as an exotic topic any more. In the eyes of policymakers there is a consensus that this is such an important policy area—because so many other aspects [demographics, social security, etc.] depend on it—that you simply cannot discount it any more. (Interview 1, Vienna, 14 April 2015)

Yet once the boundaries of a policy area are reset, government actors depend on the “institutional complementarities” in which they are embedded (i.e., the ways in which their functional performance is conditioned by the presence of other institutions). The concept of institutional complementarity helps to understand that the performance of any individual institution can only be assessed within its broader institutional configuration. While a high level of complementarity does not necessarily lead to “coherent” forms of governance across all the connected institutions, it does indeed force each individual institution to take its institutional counterparts into stronger consideration when planning its own actions (Amable, 2003; Campbell, 2011; Crouch, 2010; Crouch et al., 2005; Höpner, 2005). In government, one important form of institutional complementarity is the horizontal division of (ministerial) competences (i.e., whether government bodies are equipped with an autonomous mandate, with a shared mandate or simply with a coordinating role between institutions). Our case study demonstrates this influence most vividly: in an institutional setting for integration characterized by a marked horizontal division of competences and by strong stakes by different ministries, the nature of a State Secretariat predefined the SSI’s scope of action. It was compelled to rely on the resources already available and on actions developed by other ministries but also to establish its own activities in those areas in which it enjoyed independence. This explains why the SSI was able to initiate policy changes in the technocratic mode of governance, in its public communication efforts, in the distributive use of subsidies from its own budget and in changing the integration narrative—in this way it provided a different approach to integration without interfering with other ministries, thus establishing an institutional equilibrium between old and new executive bodies. It also explains why the SSI had little success in reshaping the direction and focus of the government’s integration legislation. Here the institutional complementarities in the form of a marked horizontal division of competences and line ministerial dominance represented a barrier to legislative change, amplified by the persistence of legislative paths. On the other hand, the presence of a new executive actor raises awareness among other government ministries that they ought to establish contact channels and shape and report their activities in the policy area more precisely and more actively than they had in previous years. The launch of an annual integration report documenting all government activities was one obvious manifestation of this new institutional arrangement.

### 6.3 *Situational Facilitators*

While institutional and non-institutional contexts largely explain the decision for institutional change and the type of policy change stimulated by the SSI, another—more short-term—aspect proved to be equally important: the role of situational facilitators. Here we refer to those variable macro-social and macro-economic conditions—or “structures” (Bakir, 2013)—that are not under the immediate control of politicians, but whose current shape is relevant to the design, adoption and implementation of public policies in a specific policy area (Keller & Yang, 2008; Sabatier & Jenkins-Smith, 1993; Sager & Rielle, 2013). Their interdependence in a network of “structural complementarities” (Bakir, 2017; Bakir & Acur, 2016) provide another precondition that can open “policy windows” (Kingdon, 1995, p. 174) for policy entrepreneurs to stimulate change but can also become a barrier to change under opposite auspices (Bauer & Knill, 2014; Mintrom & Norman, 2009). In the present case study, the situational factors favoured policy change, thus creating an ideal window of opportunity for the new executive actor. There was no immediate pressure from large-scale immigration, there were no viable threats or attacks by Islamist terrorism and the macro-economic conditions in Austria (budget leeway for political intervention, moderate unemployment rate) were also quite favourable. As another leading official from the Ministry of the Interior underlined:

If you think of Germany, the UK, France, many European countries have faced enormous levels of immigration and things have changed so massively that they had to do something. They had to act from necessity: What shall we do, for example, in light of the riots in our suburbs? This was not the case in Austria. Here no cars were burning, there were no problematic *banlieues* etc. Here it was simply an insight that our society was changing and that immigration accelerated this change in the composition of our society. And that it was going to be one of the main challenges for the future: How can we provide a framework for social cohesion in a changing society? This insight was the strongest factor for us while in other countries it might have been more out of immediate necessity. (Interview 2, Vienna, 27 April 2015)

As a result, the lack of restrictive pressures and the favourable situational facilitators allowed shifts towards a more liberal economic approach and soft policy measures, some of which are being questioned or abandoned by the same government coalition and similar contexts under the current

conditions of economic and refugee crisis. Thus, generally speaking, besides the more stable institutional and non-institutional contexts, which facilitate the impact of institutional innovation on policy change in some aspects while restraining them in others, the situational conditions relevant to a policy area are a superordinate setting influencing whether institutional change can be a feasible stimulus for change and its political direction.

#### 6.4 *Interaction Between Contexts*

What these findings also demonstrate is that different contexts—non-institutional and institutional—and situational facilitators are not mutually independent but interact with one another (Bakir, 2013, 2017). Above all, only the presence of favourable situational conditions opened a window for the ÖVP’s party political interests (non-institutional) to materialize in an institutional change towards the SSI, which reorganized government configuration (institutional) in the policy area of integration and eventually contributed to the policy change documented in this chapter. Second, the horizontal division of institutional competences was directly related to the non-institutional nature of cross-sectionalism characteristic for the policy area of integration, and this interaction determined the kinds of institutional change and policy change possible. Last but not least, the controversial nature of the previously intermingled topics of immigration, integration and asylum policy (non-institutional) largely contributed to policymakers’ decision to separate them organizationally with the institutionalization of an executive actor specifically assigned to integration (institutional), which eventually shaped the depoliticized direction of policy change via technocracy and a new policy frame.

From these examples of interaction between different contexts for executive agency, we can conclude that both institutional change and related policy changes are “an outcome of the interplay of multiple independent” context factors reinforcing one another (Bakir 2013, 59).

## 7 CONCLUSION

What is the significance of the institutionalization of an executive actor for public policy change in an emerging and controversial policy area and what role do the various contexts play for this potential? From our case study of the Austrian State Secretariat for Integration, we draw two main conclusions.

First, ministerial institutionalization has an immense potential to establish and delineate an emerging policy area whose boundaries and segmentations are still in the making. The mere presence of an executive actor with relevant competences allows enhancement of the policy area, not only as an autonomous policy matter within public administration, but also *vis-à-vis* non-governmental political actors and the wider public. It plays a huge part in delineating this policy area, defining what is perceived to be part of it and what is not. As the case of the Austrian SSI suggests, this function is facilitated considerably if negative or conflictive aspects that might be tied to the policy area (e.g., the controversial aspects of asylum management in the context of integration) can be separated conceptually and organizationally ascribed to another executive actor. These are important conclusions for public policymakers and scholars alike, as it demonstrates that institutional reforms do indeed matter for public policymaking, especially in emerging policy areas. In fact, one might even conclude that, once a certain level of expansion has been reached, upgrades in institutional representation are actually a prerequisite for a policy area to expand any further.

Second, ministerial institutionalization makes room for innovation in both the content and the determination of public policy, which would be harder, if not impossible, to achieve if previous institutional settings were maintained. New executive actors are in fact largely expected to stimulate change in order to gain legitimacy. However, as our study clearly demonstrates, it is not institutional innovation per se that ensures change, but institutional innovation within a specific interaction of contexts. A novel executive actor is confronted with distinct contexts that shape not only that actor's establishment in the first place but also the opportunities and constraints in which it is able to redesign public policy. Of these, our study points to three types of context in which executive actors are embedded—all of them interacting with one another to reinforce certain outcomes of institutional and policy change:

The characteristics of the policy area and normative orientations of the actors driving institutional change are important *non-institutional factors* explaining the SSI's shift towards a centrist approach to integration that comprises technocratic policymaking and a discursive shift towards a meritocratic policy narrative. *Institutional factors and complementarities*, such as the strong horizontal division of competences, the subordinated role of a State Secretariat in relation to other ministries and the power of legislative paths explain why the SSI succeeded in presenting a new, "depoliticized



approach” to integration policy by strengthening technocratic policymaking, intensifying public communication, increasing distributive interventions and reshaping government discourse on integration, although it failed to alter the focus and direction of legislation on immigration. Here the competences of other ministerial actors, as well as legislative paths set long before the introduction of the SSI, limited its impact in practice. But, ultimately, *situational facilitators* appear to be the most important precondition for institutional change to have any chance of stimulating public policy change. Only as long as relevant macro-political conditions are generally favourable for the proposition and implementation of policy change will the stimuli set by new actors stand a chance of bearing fruit. As demonstrated by the Austrian government’s recent measures in response to the pressures created by the massive refugee movement towards Europe and threats by Islamism, changes may quickly fall flat without a favourable environment.

#### APPENDIX I: LIST OF CITED INTERVIEWS

- Interview 1: Dr. Alexander Janda, former head of the Austrian Integration Fund. Conducted on 14 April 2015.
- Interview 2: Dr. Mathias Vogl, head of Government Department III (Rights) and Mag. Peter Webinger, head of Departmental Group III/B (Asylum, Migration, Citizenship)—Federal Ministry of the Interior. Conducted on 27 April 2015.
- Interview 3: Dr. Stefan Steiner, head of Government Department VIII (Integration)—Federal Ministry for Europe, Integration and Foreign Affairs. Conducted on 28 April 2015.

#### APPENDIX 2: LIST OF CITED GOVERNMENT REPORTS/PLANS

- Government programme 2008  
(<http://www.bundestkanzleramt.at/DocView.axd?CobId=32965>)
- National Action Plan for Integration 2010  
(<https://www.bmeia.gv.at/integration/nationaler-aktionsplan/>)
- Annual Integration reports 2011–2015  
(<https://www.bmeia.gv.at/integration/integrationsbericht/>)

APPENDIX 3: BILLS RELEVANT TO INTEGRATION PASSED BY THE AUSTRIAN NATIONAL COUNCIL (ACCORDING TO INTEGRATION DIMENSION & EXAMINATION PERIOD)

	2009	2010	2011	2012	2013
		> DNC-485: Mandatory kindergarten (intro)	> DNC-392: Mandatory kindergarten (extended) > DNC-445: Expansion of institutionalized childcare facilities	> DNC-771: Mandatory kindergarten (extended) > DNC-445: Expansion of institutionalized childcare facilities	> DNC-771: Mandatory kindergarten (extended) > DNC-445: Expansion of institutionalized childcare facilities
<b>Education</b>	Early childhood development  Language training and assistance measures in primary, secondary and high schools  General schooling reforms  Vocational schooling  Adult education	> DNC-257: Language training in schools (extended)  > DNC-500: Assistance for "risk groups" in secondary and grammar schools > DNC-552: Assistance for pupils with 'special educational needs' in new secondary schools  > DNC-715: Tightening of compulsory education  > DNC-812: Expansion of full-time schools  > DNC-776: Vocational school reform  > DNC-489: Expansion of primary education programmes for adults	> DNC-574: Language training in schools (extended)  > DNC-500: Assistance for "risk groups" in secondary and grammar schools > DNC-552: Assistance for pupils with 'special educational needs' in new secondary schools  > DNC-715: Tightening of compulsory education  > DNC-812: Expansion of full-time schools  > DNC-776: Vocational school reform  > DNC-489: Expansion of primary education programmes for adults	> DNC-574: Language training in schools (extended)  > DNC-500: Assistance for "risk groups" in secondary and grammar schools > DNC-552: Assistance for pupils with 'special educational needs' in new secondary schools  > DNC-715: Tightening of compulsory education  > DNC-812: Expansion of full-time schools  > DNC-776: Vocational school reform  > DNC-489: Expansion of primary education programmes for adults	> DNC-574: Language training in schools (extended)  > DNC-500: Assistance for "risk groups" in secondary and grammar schools > DNC-552: Assistance for pupils with 'special educational needs' in new secondary schools  > DNC-715: Tightening of compulsory education  > DNC-812: Expansion of full-time schools  > DNC-776: Vocational school reform  > DNC-489: Expansion of primary education programmes for adults
<b>Labour and Social Affairs</b>	Labour market access regulations for specific occupational groups  General reforms of labour market access for immigrants  Social policy reforms, with immigrant integration relevance	> DNC-188: Regulation of labour market access for auditors from third countries  > DNC-074: Facilitated labour market access for foreign physicians  > DNC-485: Harmonisation of recognition of professional skills of nursing staff  > DNC-85: Facilitated access to civil service jobs for recognized refugees  > DNC-103: Regulation of freedom of movement for entrepreneurs from non-EU/EFTA countries  > DNC-289: Facilitated access to jobs for citizens of the former Yugoslavia  > DNC-032: Regulation of labour market access for tolerated foreigners  > DNC-027: Regulation of pension claims for foreign income  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-105: Facilitated access to conditions of work, provision and for EEA-nationals  > DNC-340: Facilitated access to social security for foreign pension contributors  > DNC-275: Regulation of entitlements to guaranteed minimum income  > DNC-293: Expansion of community service to facilities for the integration of foreigners  > DNC-354: Adaptation of European Social Charter  > DNC-352: Protective measures against wage and social dumping	> DNC-188: Regulation of labour market access for auditors from third countries  > DNC-074: Facilitated labour market access for foreign physicians  > DNC-485: Harmonisation of recognition of professional skills of nursing staff  > DNC-85: Facilitated access to civil service jobs for recognized refugees  > DNC-103: Regulation of freedom of movement for entrepreneurs from non-EU/EFTA countries  > DNC-289: Facilitated access to jobs for citizens of the former Yugoslavia  > DNC-032: Regulation of labour market access for tolerated foreigners  > DNC-027: Regulation of pension claims for foreign income  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-105: Facilitated access to conditions of work, provision and for EEA-nationals  > DNC-340: Facilitated access to social security for foreign pension contributors  > DNC-275: Regulation of entitlements to guaranteed minimum income  > DNC-293: Expansion of community service to facilities for the integration of foreigners  > DNC-354: Adaptation of European Social Charter  > DNC-352: Protective measures against wage and social dumping	> DNC-188: Regulation of labour market access for auditors from third countries  > DNC-074: Facilitated labour market access for foreign physicians  > DNC-485: Harmonisation of recognition of professional skills of nursing staff  > DNC-85: Facilitated access to civil service jobs for recognized refugees  > DNC-103: Regulation of freedom of movement for entrepreneurs from non-EU/EFTA countries  > DNC-289: Facilitated access to jobs for citizens of the former Yugoslavia  > DNC-032: Regulation of labour market access for tolerated foreigners  > DNC-027: Regulation of pension claims for foreign income  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-105: Facilitated access to conditions of work, provision and for EEA-nationals  > DNC-340: Facilitated access to social security for foreign pension contributors  > DNC-275: Regulation of entitlements to guaranteed minimum income  > DNC-293: Expansion of community service to facilities for the integration of foreigners  > DNC-354: Adaptation of European Social Charter  > DNC-352: Protective measures against wage and social dumping	> DNC-188: Regulation of labour market access for auditors from third countries  > DNC-074: Facilitated labour market access for foreign physicians  > DNC-485: Harmonisation of recognition of professional skills of nursing staff  > DNC-85: Facilitated access to civil service jobs for recognized refugees  > DNC-103: Regulation of freedom of movement for entrepreneurs from non-EU/EFTA countries  > DNC-289: Facilitated access to jobs for citizens of the former Yugoslavia  > DNC-032: Regulation of labour market access for tolerated foreigners  > DNC-027: Regulation of pension claims for foreign income  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-470: Intensified control of resident status before granting of pension claims  > DNC-105: Facilitated access to conditions of work, provision and for EEA-nationals  > DNC-340: Facilitated access to social security for foreign pension contributors  > DNC-275: Regulation of entitlements to guaranteed minimum income  > DNC-293: Expansion of community service to facilities for the integration of foreigners  > DNC-354: Adaptation of European Social Charter  > DNC-352: Protective measures against wage and social dumping
<b>Immigration, Asylum, Citizenship</b>	General reforms of immigration regulations, residence regulations, citizenship, asylum procedures and integration agreement	> DNC-052: Reform of Asylum Act, Settlement and Residence Act, Aliens Police Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act	> DNC-052: Reform of Asylum Act, Settlement and Residence Act, Aliens Police Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act	> DNC-052: Reform of Asylum Act, Settlement and Residence Act, Aliens Police Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act	> DNC-052: Reform of Asylum Act, Settlement and Residence Act, Aliens Police Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act  > DNC-016: Reform of Asylum Act, Settlement and Residence Act, Basic Services Act, Alien Police Act, Basic Services Act, Settlement and Residence Act & Citizenship Act

Notes: Authors' classification based on (Ager & Strang, 2008; Council of Europe, 1997; Penninx & Garcés-Mascareñas, 2016) and inductively specified. Important bills (decisions of the National Council) are bold.

## NOTES

1. First, an *Integration Council*, representing the interests of stakeholders, social partners and authorities from regional and local levels of government. Second, an *Expert Council for Integration* of researchers and practitioners from the various fields linked to integration.
2. Austrian State Secretaries formally belong to the federal state's highest organs (Art. 19, B-VG), but are de facto "political adjutants to federal ministers" (Wieser, 1997). They are assigned to line ministries and their main function is to act as ministers' "support in the management and parliamentary representation" (Art. 71, B-VG) as well as standing in for them in their absence (Art. 73, B-VG). Yet they can also be charged with specified portfolios by their superior minister (or the chancellor, if assigned to the Chancellery) and equipped with the ministry's administrative resources in the form of a State Secretariat (Kahl & Weber, 2008, pp. 174–175).
3. The chapter presents findings gathered in the research project "The State Secretariat for Integration: Evaluating Policy Change in Immigrant Integration", supported by the Austrian National Bank—Anniversary Fund (project number: 15758). For more information see: <http://www.govern-ing-integration.at>.

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# Embedding Innovation: Bricolage and the Case of the Phnom Penh Water Supply Authority

*Yishu Zhou and Leong Ching*

## I INTRODUCTION

The explanatory capacity of dominant accounts of institutional theory is primarily focused on theories of institutional homogeneity and stability, and the persistence of institutions, which are “sticky” and resistant to modification (Pierson, 2000; see also Bakir & Jarvis in this volume). In part developed as a response to “prevailing conceptions of organizations as bounded, relatively autonomous, rational actors” (Scott & Meyer, 1994, p. 1), institutionalism provided a foil to what was perceived as the over-individualization of modern society by instead emphasizing the concept of agency as generated through collective action, sustained by shared understandings and associations, and dependent upon common underlying institutional processes (Frank & Meyer, 2002).

However, studies of institutional change often fail to illustrate the dynamism of the process, favouring instead a path-dependent approach. The “punctuated equilibrium” interpretation argues that while institutions

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remain largely static, they occasionally encounter moments of crisis that result in institutional reshuffling and large-scale departures from the past (Baumgartner & Jones, 2012). This exogenous view conceives of institutional change as an abrupt, crisis-driven process which characterizes the institution as a static structure by default, and change as a necessarily external, disruptive process.

Alternately, the game-theoretic interpretation of institutional change views agency as capturing not just the intention of the individual, but the resultant actions of multiple other players in the same framework. While actors are construed as rational beings aiming to maximize personal utility, the outcomes of their actions are interpreted as participation in a collectivity, which operates following its own internal logic and fixed range of “permissible beliefs” (Greif & Laitin, 2004, p. 634), which in turn support the self-reinforcing nature of the institution. The emphasis on consensus and shared beliefs precludes the individual’s capacity to introduce innovation into the institution, and the agency of actors is primarily invoked to uphold the equilibrium of the institution.

A theory of action within institutional theory must therefore depart from the view of institutions as “frozen residues” or “crystallizations” of previous political processes upon which change is imposed (Streeck & Thelen, 2005), and conceive of them rather as “field[s] of activity” (Leca, Battilana, & Boxenbaum, 2008) in which actors participate in upholding and contributing to the value of the institution, and in engendering innovation and change. In this way, the passive structure of the institution is transformed into an active process of institutionalization (Bakir, 2009, 2013), and the agency of actors is extended beyond the realm of bounded rationality to encompass the value of ideas and organized and systematic change.

The notion of institutional entrepreneurship has emerged as an endogenous theory of institutional change in which actors function as “catalysts for structural change” and take charge, “being the impetus for, and giving direction to, change” (Colomy & Rhoades, 1994, p. 554). Institutional entrepreneurship draws upon both organizational institutionalism (Zucker, 1987; Powell, 1991) and policy entrepreneurship (Kingdon, 1984) in highlighting the role of select agents and their capacity to influence and transform institutional contexts. Institutional entrepreneurs are defined as organized actors with sufficient resources, social and political skills, and the social position necessary to initiate and deliver organizational change (DiMaggio, 1988; Lawrence & Suddaby, 2006; Wahid &

Sein, 2013). This theory allows for individual action and agency to be defined and framed within an institutional context (Mukhtarov, 2013).

This chapter argues that institutional entrepreneurship theory bridges the gap between institution and actor by conceiving them as interdependent, mutually reinforcing forces generating a “promising tension” (Garud, Hardy, & Maguire, 2007) which results in institutional change. Rather than conceiving of change as an external process which is superimposed upon the institution, institutional entrepreneurship argues that change occurs endogenously and, importantly, by utilizing and engaging with the resources and contextual precedents set out by the institution. This is achieved through the process of bricolage, or the development of institutions by drawing on pre-existing institutional and social arrangements, such as norms, values and relationships (Cleaver, 2002). Institutions are therefore seen not as a constraint on human agency, but as the site upon which agency can be exercised.

This chapter will present the case of Ek Sonn Chan, the Director of Phnom Penh’s Water Supply Authority (PPWSA), to illustrate the interactions between structure and agency that culminate in transformative institutional change. Although the transformation of the PPWSA is frequently lauded as a case of extraordinary leadership, our analysis reveals that the key elements to institutional change are the mediated areas in which ideas and discourses from different epistemic domains intersect (Bakir, 2009), which allowed Ek Sonn Chan to draw upon different types of networks, norms and social codes to build up broad-based support for his ideas. By identifying the various points at which Ek Sonn Chan’s administrative decisions and innovations resulted in structural changes at the institutional level, this study draws upon Selznick’s (1957) definition of institutions as “organizations with value”, thus conceiving of institutionalization as a process of the imbibition of value.

We will first argue that leaders such as Ek Sonn Chan play a key role in producing a narrative and value set for the institution, which subsequently become embedded into existing structures through a process of policy bricolage. Second, the contribution of institutional entrepreneurs lies in their ability to command the resources available to them and to use them in new ways. Third, institutional entrepreneurs find new ways to navigate the boundaries between structure and innovation. We emphasize the substantive nature of the discourse to construct new “narratives that shape understanding of events” (Schmidt, 2008, p. 306), thus setting off a paradigmatic shift or new frame of understanding that leads to institutional

change. We contribute to current theorizing on institutional entrepreneurship by illuminating the dynamics of such change—with the agency of actors first creating a powerful narrative, and then instantiating these within policy innovations which become solidified into institutions and structures.

This chapter builds upon the methodological premise provided by theorists such as Holm (1995), Fligstein (1997), Beckert (1999) and Seo and Creed (2002), in studying the interest-driven behaviour of agents when dealing with issues of organizational change. The use of within-case analysis is well-suited to such studies for it allows for a detailed and empirical account of institutional change which contributes to an “explanatory richness” (Eisenhardt, 1989; George & Bennett, 2004) which parsimonious institutional theories lack. This allows us to take into consideration not just the interests and motivations of governments and key bureaucrats, but also of those whom they serve. The selection of the well-known case of Ek Sonn Chan and the PPWSA introduces a “transparently observable” (Pettigrew, 1990, p. 275) quality to the study, while departing from the predominantly actor-centric narrative of existing interpretations. In doing so, the case evades the “hero trap” laid out by Meyer (2006), in which institutional entrepreneurs are frequently portrayed as a particular “species” of overly rational and dis-embedded agents who behave like “heroes”, resulting in an overly reductive and simplistic conception of agency.

This chapter is arranged as follows. First, we review the existing literature on institutional entrepreneurship, highlighting the paradox of embedded agency. We apply the concept of policy bricolage to the well-known case of Ek Sonn Chan and the PPWSA to show how institutional entrepreneurs carve out a theory of action that enables institutional change. By examining three key transformational phases undergone by the PPWSA, we interpret institutional change not as an outcome but a process in which policy innovations become embedded into existing institutions.

## 2 INSTITUTIONAL ENTREPRENEURSHIP AND INSTITUTIONAL CHANGE

The crux of the structure versus agency debate lies in the paradox of embedded agency. This refers to the dilemma of attributing capabilities of innovation and strategic choice to actors, while acknowledging the prevailing institutional logics that govern the social environment (DiMaggio &

Powell, 1991; Greenwood & Suddaby, 2006). The paradox of embedded agency assumes that individuals comply with institutional pressures because institutions are both constraining and homogenizing structures. As such, agency is sometimes conceived of as a variable that is expressed despite the institution rather than as a result of it.

This poses a distinct set of problems for institutional change. If agents are thoroughly embedded in their institutional milieu, then agency cannot be an activating force for change. This is summed up by Holm in his question, “how can actors change institutions if their actions, intentions, and rationality are all conducted by the very institution they wish to change?” (1995, p. 398). This expresses the notion that agents are required to extricate or differentiate themselves from their institutional environments in order to bring about institutional change, a self-defeating proposition. That is, from an external vantage point.

To this end, scholars such as Barley and Tolbert (1997), Sewell (1992) and Scott (2001) have looked to Giddens’ (1984) theory of structuration, which addresses the “duality of structure” that exists between structures and institutions. In Giddens’ view, structures are always simultaneously “enabling and constraining” (1984, p. 162), and are upheld by the mobilization of “rules and resources” by actors in various action contexts, which are constantly being produced and reproduced. “Rules” denote the “methodical procedures” (1984, p. 18) of social interaction, which are contextual, invoked regularly through the course of day-to-day activities and simultaneously uphold acceptable modes of social conduct in a structure while fortifying and contributing to the constitution of meaning. “Resources”, which must be considered concomitantly to rules, are the ways in which transformative relations are incorporated into the production and reproduction of social practices, and as such, are “transformed” into power, sanctions and communication among actors (Turner, 1986).

Structuration theory thus explains how institutions can simultaneously constrain and enable actors. It also redefines the basic properties of the institution to a dynamic rather than static structure. Indeed, since such structures do not unequivocally specify behaviour, both rules and resources are rendered elastic and can be used in different ways. Therefore, as long as the capacity to act is retained, change is possible (Walgenbach & Meyer, 2008).

The tension, therefore, is between agents and their striving, and the structures and institutions against which such striving must occur. In this chapter, we consider the resolution of this tension by using the concept of

“policy bricolage”. Bricolage moves away from the paradigmatic approach towards institutional change by asserting that it happens in an incremental process in which agents draw upon pre-existing sources but use them in new ways. This results in the conception of institutional entrepreneurs less as rational “institutional engineers”, and more as “do-it-yourself bricoleurs” (Merrey & Cook, 2012; Mukhtarov et al., 2015).

Located within the “ideational turn in policy” (Campbell & Pederson, 2001; Hay, 2001, 2006), Wilder and Howlett see change as a process in which actors compete to “influence solution sets in a process of ‘policy bricolage’” (2014, p. 183). Agents are therefore “institutional bricoleurs” engaged in a process of “ideational and knowledge construction” (Wilder & Howlett, 2014, p. 184).

Recently emerging research streams in the literature bridging variants of institutional theory, analytical sociology and structuration theory have shown that institutional entrepreneurship is most likely when individual agents are enabled by structural and institutional complementarities and agency-level enabling conditions (Bakir, 2009, 2013). Within this lens, the role of the institutional entrepreneur is to work within the institution—regarding it as both enabling and constraining—and to identify policy windows in which innovation can be introduced. Campbell refers to this as a process of “constrained innovation” (2004), which explains how both structure and agency work together in influencing institutional change.

Institutional entrepreneurs are able to identify analytical gaps as opportunities, and to make use of the pre-existing set of instruments available to them, by way of inherited institutional principles and practices, in order to propose institutional change. However, the way in which bricolage is carried out depends not only on the structure which the entrepreneur is trying to affect, but all other endowments, such as cultural capital, legacies and histories. Actors are seldom situated in a single network or institution, but rather in the “interstices of social networks, organizational fields, and institutions” (Campbell, 2004, p. 74).

We argue that institutional entrepreneurs participate in an “active, conscious, creative process” (Merrey & Cook, 2012, p. 8) of translation, reinterpretation and recalibration in bringing about institutional change. By adapting pre-existing norms, values and social codes, institutional entrepreneurs engender institutional change through a process of interpretation, or the directing of “sense-making and sense-giving processes”

(Gioia & Chittipedi, 1991, p. 445). Bricolage thus incorporates a dimension of innovation into institutional theory by showing that historical legacies and policy inheritances provide models and resources that are adapted to serve new purposes.

The most successful institutional entrepreneurs, capable of inducing revolutionary rather than evolutionary change, are those positioned in the nexus of complex and competing fields and networks, thus exposing the actor to the diffusion of new ideas, which then become part of their repertoire (Campbell, 2004). In this way, institutional entrepreneurs learn to see institutions as permeable and malleable, in that certain ideas and logics can be transposed from one structure to another, such that pre-existing models can be applied in new ways.

### 3 THE TRANSFORMATION OF THE PHNOM PENH WATER SUPPLY AUTHORITY: EK SONN CHAN

In 1993, following decades of political turmoil in Cambodia and a United Nations-sponsored general election, Ek Sonn Chan was appointed the Director of Phnom Penh's Water Supply Authority (PPWSA). Restoration of the water infrastructure was critical to the rebuilding of the city. At the time of his appointment, only one-fifth of the population had access to the city's water pipes, and water flowed for only ten hours a day. More than half of the supply was lost due to leaks (Biswas & Tortajada, 2010).

The country's bureaucracy and utilities sectors were also in disarray. Only 12% of the PPWSA's 26,881 customers had water meters, and the collection ratio was only 50%. The PPWSA also carried a heavy bureaucratic burden, with 22 staff per 1000 connections, and consistently ran up a high deficit, with expenses exceeding twice what it generated in revenue (Biswas & Tortajada, 2010; Chan, 2009). Ek Sonn Chan was thus tasked with the responsibility of reforming Phnom Penh's water supply system and expanding the service across the city.

Within 15 years, Ek Sonn Chan was able to increase the production capacity of the PPWSA to 235,000 cubic metres per day. Its service coverage increased by 80% and its distribution network increased by 456% to 1558 km of pipes. The number of households and establishments with piped water connections increased to 178,000 units (Leong, 2009). In 2004, the PPWSA was awarded the Asian Development Bank's Water Prize—an award conferred upon exemplary project agencies that have



established best practices in water policy. Today, the PPWSA is widely hailed as a success story in the water utilities sector in developing countries, outperforming some utilities providers in developed countries.

In studies of water utilities, the determinants of success commonly studied are institutional variables such as incentive structures (Berg, 2010) and ownership structures and rules (Renzetti & Dupont, 2003)—single-case studies of the role of leaders can sometimes be dismissed as idiosyncratic and non-replicable (Prokopy, 2005). The theoretical motivations of this volume, however, allow us to blend both agency and structure in our exploration of institutional entrepreneurship in the PPWSA.

#### 4 REFRAMING WATER: THE PPWSA

This section identifies the three key transformations undergone by the PPWSA under the leadership of Ek Sonn Chan: first, it presents an empirical understanding of the process of restructuring; second, the narrative reframing of water within the context of increased autonomy for the PPWSA and financial independence; and lastly, the dynamics of embedding innovation, and the establishing of PPWSA's reputation as a "success story" (Table 9.1).

**Table 9.1** PPWSA's transformation (1993–2008)

<i>Indicator</i>	<i>1993</i>	<i>2008</i>	<i>Difference</i>	<i>% Change</i>
Production capacity (m <sup>3</sup> per day)	65,000	235,000	170,000	262
Coverage (%)	50	90	40	80
Distribution network (km)	280	1558	1278	45%
Supply pressure (bar)	0.2	2.5	2.3	1150
Supply duration (hr/day)	10	24	14	140
Number of connections	26,881	178,000	151,119	562
Number of staff/1000 connections	22	3.2	−18.8	−85
Illegal connections/yr	300	9	−291	−97
Metering ratio (%)	12	100	88	733
Collection ratio (%)	50	99.9	50	100
Non-Revenue Water (NRW) (%)	72	6.07	−65.93	−92
Total income (billion riels)	0.7	103.26	102.56	14,651
Operating expenditure	1.4	3.74	2.34	167

Source: Leong (2009).

#### 4.1 *Initial Restructuring*

Ek Sonn Chan's appointment at the PPWSA followed decades of political turmoil in Cambodia, the recent lifting of economic sanctions and the first democratic elections after the removal of the Khmer Rouge regime. Phnom Penh's political and policy landscape was crowded with various international actors, donors and UN peacekeepers. The most pressing course of action was to establish a line of common understanding between the local people and the international donors who played a large role in Cambodia's post-war recovery.

Despite his relative inexperience in the field, Ek Sonn Chan was selected to run the PPWSA by the Mayor of Phnom Penh due to his knowledge of international assistance and donors. The Asian Development Bank and the World Bank had provided concessional loans to the PPWSA to aid its reconstruction, and the French and Japanese governments were also active in leading assistance efforts (Leong, 2009). Ek Sonn Chan's knowledge of both English and French allowed him to communicate and negotiate with foreign donors. The loans from the Asian Development Bank and the World Bank were supplied with the aim of reinstating the PPWSA as an autonomous water utilities organization, and on the condition that water tariffs would be set at cost-recovery levels. Ek Sonn Chan made sure to reconcile the aims set out by the conditional loans with his personal goals to reform the PPWSA.

This unique political environment proved to offer an opportune moment to introduce paradigmatic change to Phnom Penh's institutions, a "punctuated institutional equilibrium" or "crisis environment" (Bakir, 2009, p. 572) in which the capacity for institutional change becomes discernible. Drawing on Kingdon (1984), Bakir (2009) argued that institutional change arises when policy windows provide moments of opportunity during which ideas take on normative value in becoming agenda-setting items or goals. While the substantive content of the idea remains the same, its value and function changes depending on the context.

This "crisis environment" (Bakir, 2009, p. 572) was reinforced by the impression among PPWSA employees that the situation was "do or die". Blyth's argument that ideas gain more traction during periods of "Knightian uncertainty" (2002, p. 36) is illustrated by the fact that Ek Sonn Chan was able both to interpret the perceived crisis and formulate the intended solution in his own terms. Importantly, by incorporating narrative reframing into his strategy, the institutional entrepreneur is able to

endogenously cultivate an impetus for institutional change. The institutional reform of the PPWSA was thus reframed within a narrative of urgency and vulnerability. On his first day in office, Ek Sonn Chan called in the PPWSA's upper management and engineers and told them, "Either we accept that changes are needed, or we die" (Leong, 2009, p. 4). The use of narrative reframing allowed Ek Sonn Chan to present the issue of institutional change as an existential one, thus imbuing it with a sense of urgency that further legitimized his plans.

Ek Sonn Chan identified the first task as changing the culture of the PPWSA (Das, Chan, Visoth, Pangare, & Simpson, 2010) and, in doing so, populating the PPWSA with employees who shared in his sense of morality, work ethic and purpose. Ek Sonn Chan had found widespread mismanagement and corruption among the ranks of the PPWSA. Some employees had been overcharging customers for the installation of water meters and pocketing the difference. Many were self-serving and lacked motivation. Ek Sonn Chan decided that the PPWSA had to establish a culture that "everyone can unite around". To do this, he had to "set up a good culture to replace the bad" (Leong, 2009, p. 7).

The new culture of the PPWSA was to be based on "Educating, Motivating, and Disciplining" (Chan, 2009, p. 599). Ek Sonn Chan swiftly put in place a strict merit-based system for his employees. Those deemed unsuitable were promptly dismissed. Objective assessment criteria, such as examinations, were introduced, which was virtually unheard of in Cambodia. At the end of every year, PPWSA managers were now obliged to take written examinations on details, facts, policies and implementations of their own departments. The scripts were marked by the Director himself, and the results often determined an employee's likelihood of receiving a promotion or a raise, thus spurring managers to take these exams seriously. In addition, each member of staff underwent at least two weeks of intensive training each year.

Ek Sonn Chan also focused much of his attention on the process of collecting water dues. In 1993, there were 24 men who circulated on foot to read meters and collect payment from households. Although there were 2000 water meters in the system, many customers were simply charged a flat rate. Many of the meter readers did not visit households at all but simply did "desk readings", making up arbitrary numbers (Biswas & Tortajada, 2010). The water meters did not provide an accurate gauge of the actual amount of water used, further impeding the collection of water dues. Some meter readers were bribed by customers to under-report usage, or

to report that their water meters had been stolen. In 1994, Ek Sonn Chan hired an expert from Thailand to conduct classes on meter reading for all 24 readers. After training the readers, he made them sign a new contract—if they were caught desk reading, they would be fired immediately. He also put in place an inspection team (which included himself) to conduct spot checks (Leong, 2009).

Within three years, the PPWSA had become a “public service elite” (Hughes, 2013, p. 148), helmed by Ek Sonn Chan and an arsenal of loyal employees. Ek Sonn Chan had established a core group of employees who were committed to the PPWSA. Once the corrupt employees who had been overcharging for the installation of water meters had been identified and fired, the costs of installation dropped from US\$150 to US\$30 within four months. Through these measures, Ek Sonn Chan eventually cultivated a team of dedicated workers, and in doing so built up a broad base of support within the PPWSA, which he could mobilize in support for his subsequent ideas.

#### 4.2 *Narrative and Agency: Autonomy Within Institutions*

In 1996, the PPWSA was given regulatory autonomy—it now had the ability to recruit staff itself, and further had to be run along commercial lines in order to generate robust revenues, as set out in the initial conditions of the concessional loans.

In an initial survey conducted by Ek Sonn Chan when he first arrived at the PPWSA, it was found that there were nearly 30,000 households connected to the water supply. The challenge was to bill these customers to ensure cost recovery. In 1993, the PPWSA was still using a flat rate system because there were almost no water meters. It eventually moved to a volume-based system, counting the number of people in one household, estimating a usage of 50 litres per person per day and levying a per capita charge. This was met with much resistance at the grass-roots level and even among local politicians, but Ek Sonn Chan made it clear that the move was not intended to maximize profits but to increase water access across the city. The PPWSA had been getting many requests from poor communities and informal squatters situated on the fringes of the city, and he sought to help.

This framing of innovation as an issue of social justice rather than corporate or regulatory reform was an important plank of a new narrative—from the economic case of charging for water services to one of universal

access. But while the change in narrative was a clear part of Ek Sonn Chan's strategy, how well does the narrative frame of social justice and universal access hold up? Here, we apply the test of coherence, richness and consistency with empirical evidence, as established by Lejano and Leong (2012).

Coherence, as per Bennett and Feldman (1982), grants credibility insofar as ambiguity leaves the listener or the audience unaware of the different story elements or unable to choose between contending interpretations. The richness test derives from Kaplan (1986): the best narrative is the richest one, which helps us better understand the motivations of the different actors which act as drivers for their actions. Lastly, the pragmatism test is a simple correspondence test of the account with empirical evidence (Ball, 1995).

Ek Sonn Chan always paid special attention to the poor and vulnerable populations in the city. Although clean drinking water was becoming gradually more available, it was still unaffordable for some. Ek Sonn Chan set up an informal "social fund" for poor people who could not pay their water bills. He was adamant that their water connections would not be cut off. He initially paid for these bills himself, and other members of the PPWSA management team and water meter inspectors soon followed his example and began to contribute. By 2000, when the PPWSA began to turn a profit, Ek Sonn Chan ordered that 5% of this profit be set aside for a social fund. In 2007, with profits at US\$5 million, the social fund stood at US\$200,000. By setting an example, and aligning his own values with those of the institution, Ek Sonn Chan was able to bring about change which appeared revolutionary when regarded in the abstract, but within the context of social reform, appeared natural, almost inevitable. There is then a strong coherent thread in the narrative.

In terms of richness, the narrative explained the motivations of different stakeholders from the government to the regulators to consumers. From 1993 to 1995, water was distributed to about 40% of the city but only 20%–25% received water due to poor pipes, poor pressure and illegal siphoning. Illegal squatters who had no access to the proper infrastructure lacked a stable supply of water altogether.

These people suffered from unclean water drawn from rivers, or paid exorbitant prices for water sold by illegal vendors, which was of a similarly bad quality. These vulnerable people wanted the help of the PPWSA as they recognized that water provided by the authority would be of a better quality, and cheaper, than the illegal water. Ek Sonn

Chan and his team thus mobilized the support of these communities, and collected tens of thousands of fingerprints as evidence of popular support for his plan.

The PPWSA proposed a domestic tariff of around 500 riels, as compared to the 5000 riels demanded by illegal vendors for untreated water. By providing evidence of a collective grievance among the people of Phnom Penh and the PPWSA's bid to provide a solution, Ek Sonn Chan and his team received support from the former Governor of Phnom Penh, Chea Sophara, and from the Ministry of Finance.

Ek Sonn Chan also emphasized that the prior conditions of the concessional loans could only be fulfilled with the implementation of higher water tariffs, set to recover costs. As such, he was able to gather support both at the grass-roots and elite levels to provide justification for his proposal, which was then swiftly put in motion. This narrative provided a good foundation for understanding and explaining the actions of key stakeholders within the policy puzzle.

But does the narrative square with empirical reality? The greater autonomy and financial freedom provided by higher water tariffs and wider coverage of customers meant that Ek Sonn Chan had the social and economic capital to introduce further change to the PPWSA, by way of a performance-based pay scale.

In 1993, staff earned only US\$15 a month, which was not enough to support a family. Previously, meter readers were responsible both for billing customers and collecting the money. While this was initially believed to be the most efficient method, some readers had been pocketing the money collected from households. Being a pragmatist, Ek Sonn Chan recognized the correlation between low salaries and low staff morale and corruption, and introduced competitive salaries and financial incentives for staff. He thus made sure that meter readers received a good basic wage of about US\$150. They were then given an incentive, which increased as the collection percentages went up. If they collected 100% of the connections assigned to them, they would get a bonus of US\$250. In impoverished Cambodia, where the average per capita income was less than US\$448, the salaries paid at the PPWSA were enviable and jobs there were highly coveted.

By 2007, the number of bills paid had increased to 99%, up from 40% in 1993. The amount of money collected increased from 50% to 100%. These quantitative figures and the clear and consistent collection of data supports the narrative of access, fair compensation and incentives.

These elements together ensure that the narrative was not regarded as mere semantic sleight of hand. Indeed, it is this narrative of social justice that allowed the many innovations that were to come, in embedding the policy innovations which Ek had in mind.

### 4.3 *Embedding Innovation*

By 2000, Ek Sonn Chan's leadership of the PPWSA had proved to be decisively successful. In leading by example and with an innate understanding of what he calls the "Cambodian style" of local knowledge, he had managed to build up broad support for his initiatives among his staff, local politicians and the general public. As such, he was able gradually to introduce more innovations to the PPWSA, confident that he had the support and leverage of multiple networks and organizations backing him.

Ek Sonn Chan's leadership style was a combination of two distinct features: "leading from the front" (Das et al., 2010) and respect for the local, "Cambodian style" of knowledge (Leong, 2009). These two attributes required that he embody the values he sought to institutionalize, while also ensuring that he had a firm grasp of what was happening on the ground. The combination of understanding from the grass roots while setting a high standard in communicating expectations is a mark of his leadership. This is what Fligstein calls "social skill", defined as the ability to motivate cooperation in other actors by providing common meanings and identities under which actions can be undertaken and justified (1997). Fligstein argues that the basis of social skill is the ability to relate to the situation of the "other", or an understanding of other actors, their relative stakes within the network and ways in which their support can be earned, such that the institutional entrepreneur is able to pursue the path towards innovation that is most acceptable and beneficial for the other players.

This requires that institutional entrepreneurs "imaginatively identify" (Fligstein, 1997, p. 398) with the circumstances of others. The strategic location of the actor within a "constellation" (Campbell, 2004, p. 74) of social networks, organizations and institutions allows him access to idiosyncratic codes, scripts and models of different institutional environments, which are then parsed and reframed in an act of constrained innovation. This then allows the institutional entrepreneur to build up a coalition of broad-based support upon which institutional change must be built.

This we see in the present case, as Ek Sonn Chan learnt to capitalize upon pre-existing knowledge and resources, and to use them in innovative

ways to further his cause. He was determined to reduce the percentage of non-revenue water. He had noticed that certain people had been stealing water by tapping into small pipes and connections at night, when leaks were less likely to be noticed. They were careful not to damage the water meters, which would reveal the source of the illegal tapping. Ek Sonn Chan then deployed a select group, whom he called his “magic ears”, to visit the pipes at night and listen to the flow of water in the pipes, using only a listening bar. This practice started in 2000 with six people, but expanded to a team of 48 who listen for theft and leaks across more than 116 km of pipes. The percentage of non-revenue water has dropped from 72% in 1993 to just 6% in 2007 (Leong, 2009).

These efficiency improvements also came about in parallel with improvements in personnel efficiency. In 1993, the ratio of PPWSA’s staff to connections used to be 22:1000, but by 2004 this had improved to 4:1000. Of its 536 full-time staff, 78% are assigned to water supply and the rest to corporate services. The PPWSA has the healthiest bottom line of all the public utilities in Cambodia, with a profit of 20% and an operating income that increased by 40 times, to 34 billion riels (US\$277.7 million) by 2004. In 2012, the PPWSA became the first domestically listed company on the Cambodia Securities Exchange (Chan, 2009; Biswas & Tortajada, 2010).

## 5 DISCUSSION

The example of the PPWSA reveals institutional change to be a more gradual, cumulative process, consisting of ongoing practices of negotiation and modification, rather than a revolutionary shift. Although the transformation of the PPWSA is frequently lauded as a case of extraordinary leadership, our analysis reveals the importance of Ek Sonn Chan’s narrative reframing of the policy issue, as well as his social skills in navigating existing networks, norms and social codes to build up broad-based support for his ideas.

At the same time, his actions worked within the logic of institutional bricolage—that is, within the analytical windows of opportunity. Thus, while the ambition of the ideas he proposed grew in proportion to the rising credibility of the PPWSA, Ek Sonn Chan was careful to seize the right opportunity to propose these ideas. By strategically framing certain ideas and concepts as naturalistically and clearly as possible, what were ostensibly new practices could be justified as “indispensable, valid, and appropriate” (Rao, 2007, p. 917).



In adopting an incremental approach, Ek Sonn Chan engineered the restructuring and revitalization of the PPWSA within 15 years. Nevertheless, it is important to note that each stage of the reform process was precluded by an “analytical gap” during which core issues about the nature, function and outcome of the institution could be called into question. This also allowed Ek Sonn Chan to strike the right balance between continuity and change, creating an “analytic space” within which actors could modify and recombine different institutional elements which were presented as coherent and cohesive within the pre-existing structure, but also to use the same structure as a starting point for introducing change.

Having assumed control over the PPWSA in 1993, following decades of conflict and uncertainty, Ek Sonn Chan saw an opportunity to instigate a new working culture at a time when there was none. Using the narrative of the “crisis environment”, he demanded the complete dedication of his staff, but also rewarded them accordingly. The importance of the new narrative which undergirded his efforts has been noted above. Using this narrative, he led the critical transition of the PPWSA from an organization, or a loosely held organization of people, working to maximize their own interests, to an institution bound by its own set of ethics and logic, working to maximize utility for all involved.

Ek Sonn Chan also provided an impetus for cooperation (Colomy, 1998; Fligstein, 2001) among members of different networks and social groups, by introducing shared meanings and values with which members could identify and which could be expanded upon and generalized across the institution. Ek Sonn Chan underlined his reform efforts with the running narrative of social justice and the conviction that access to clean water ought to be a universal right for all. He also made sure to lead by example and stuck to his principles even when his ideas were called into question by people with more authority and power.

This is what Selznick (1957) refers to as the instilling of values in institutionalization, or the imbibition of meaning into a structure or process. The case of the PPWSA illustrates that leadership is not enacted from above, but comes from the grass roots, bringing about a process of negotiation and contestation “between various parties” (Zilber, 2006, p. 283) in the engendering of what ultimately becomes institutional change.

Besides the “analytical gap”, Ek Sonn Chan also made use of broad-based coalitions of support, as well as selective interpretations of existing codes, modalities and frameworks, such that his ideas appeared to coincide with the wider purposes of the institution. By presenting the concessional

loans offered by the Asian Development Bank and the World Bank as an opportunity for “constrained innovation”, he was able to fulfil the conditions set out by the foreign donors while gathering support for his own ideas about introducing a performance-based pay structure within the PPWSA. This supports our argument about bricolage resulting from the formation of a rich narrative.

Ek’s strategy of institutional entrepreneurship can be seen as one in which innovations are embedded within existing institutions. Another example of this is his strategy to introduce volume-based pricing to Phnom Penh’s water tariffs. When his first proposal to change the water rate was rejected by local politicians, he collected tens of thousands of fingerprints from the disenfranchised poor to show public support for his idea, and in doing so he built robust grass-roots support for his project. The success of his second meeting with local politicians was a direct consequence. By reconciling the formal (external, results-based) and informal (internal, values-based) goals of the PPWSA, Ek Sonn Chan was able to achieve both without openly flouting or disagreeing with the rules of the institution, while nevertheless changing key elements within it. This resonates with Mahoney and Thelen’s idea of a “power-distributional approach” to institutional change, which occurs in the “gaps” or “soft spots” (2009, p. 14) within the structure that emerge between the rule and an actor’s potential interpretation of the rule or its enforcement.

## 6 CONCLUSION

While the literature on institutional entrepreneurs is largely theoretical and continues to figure the agent in the abstract, our case analysis of Ek Sonn Chan and the PPWSA provides an empirical grounding for how agents affect institutional change. First, institutional entrepreneurs either capture or create an “analytical gap” that signifies a break with the pre-existing institutional template. This existential exercise allows for a moment of uncertainty to emerge, during which the institutional entrepreneur proposes an idea or institutional alternative that catalyses a different course of action.

Secondly, institutional entrepreneurs are responsible for cultivating a new shared understanding, or “institutional logic” (Suddaby & Greenwood, 2005, p.28), that resonates with and motivates other members to commit to the chosen course of action. Selznick refers to this as infusing with “value beyond the technical requirements of the task at

hand” (1957, p. 17), which signifies a commitment beyond mere participation that marks the difference between an organization and an institution with value.

Our chapter has shown how narrative analysis can be used to illustrate how such a process takes place. Institutional entrepreneurs like Ek Sonn Chan create narratives that frame institutional change as a purposive, meaningful process. The social justice narrative is a particularly attractive one that lends coherence and richness to the cause of institutional change.

We have also suggested that bricolage has at its core a narrative element which allows us to incorporate the dimension of innovation into institutional theory—in the case of the PPWSA, the dynamics of change are described by showing that historical legacies and policy inheritances provide models and resources that are adapted to serve new purposes.

Our contribution to work on bricolage builds on Campbell’s ideas of creative recombination (1997) and the knowledge production model of Wilder and Howlett (2014) to show how actors create new solutions using existing institutional principles, such as models, analogies, conventions and concepts, such that new institutions differ from but resemble the old.

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# Institutional Entrepreneurship and the Mission Creep of the National Bank of Hungary

*Miklós Sebők*

## I INTRODUCTION

The 1990s ushered in an era of ever-increasing standardization and policy convergence in the world of central banking. The combination of the formal independence of central banks, inflation targeting and indirect monetary policy has become the new normal, not only in the core countries of the international economy but also in many states on the periphery (Blinder, 1999; Maman & Rosenhek, 2009; Marcussen, 2005; Polillo & Guillén, 2005). These processes of policy transfer and policy diffusion were especially pronounced in Europe, where the adoption of Bundesbank-style institutional insulation (Lohmann, 1994, 1998) was essentially tied to membership negotiations with governments aspiring to EU accession (Schimmelfennig & Sedelmeier, 2004).

Nevertheless, central bank independence, along with other “remains of conditionality” (Johnson, 2008), gradually took on a life of its own, and in unexpected ways. In some cases, it was the very independence of central banks that undermined the dominance of the monetary policy

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orthodoxy that had established this operational autonomy in the first place. The aftermath of the great financial crisis proved fertile ground for such an anti-trend: financial policy dogmas were called into question (Ban & Gallagher, 2015; Blyth, 2013), and new or resurgent policy ideas took on significance (such as quantitative easing, see Joyce, Miles, Scott, & Vayanos (2012)). In some cases, this paradigm shift triggered institutional transformations and policy changes that were utterly incompatible with the pre-existing ideational background and institutions of economic governance.

Hungary is a prime example of this latter trajectory. Starting out as a poster child of “well-behaving” states on the path to EU membership in the 1990s, it became the leading proponent of self-proclaimed financial patriotism and political autonomy (or financial nationalism and democratic backsliding in the view of its detractors see e.g.: Ágh, 2014; Johnson & Barnes, 2015; Pogátsa, 2009; Sedelmeier, 2014). One of the key policy domains of this general policy overhaul was monetary policy, where the intensity of institutional and policy changes led to a metamorphosis of central banking that was almost unprecedented in the recent policy history of developed countries. These developments coincided with the appointment of György Matolcsy as the governor of the Hungarian National Bank (Magyar Nemzeti Bank, MNB) in 2013. The former minister for the economy had long held non-conventional, or “unorthodox”, views with respect to central banking, which he swiftly put into practice after taking his new position. The resulting “mission creep”<sup>1</sup> stretched the central bank’s policy portfolio beyond recognition in at least six fields: the MNB (1) subsumed (following a decision by Parliament) the formerly independent financial regulatory authority, (2) initiated a massive quantitative easing programme and changed course on interest rate policy, (3) nationalized commercial banks, (4) assumed development banking functions, (5) built up a real estate portfolio, and (6) created new research foundations and ventured into higher education. Taken together, these six streams led to the largest institutional overhaul of independent central banking in Hungary since its very establishment in 1991.

This chapter applies the theoretical framework of institutional entrepreneurship (Campbell, 2004; Hardy & Maguire, 2008) to this interesting case of institutional and policy change. Its research question concerns the causes and conditions of the aforementioned transformation in Hungarian central banking. We examine this question by means of a qualitative case study (Creswell, 2012). Our analysis of how and why the mission creep of

the central bank developed in such a short period of time relies on the process tracing method (Collier, 2011), document analysis and elite interviews with former and current central bank governors and vice-governors.

The results show that the institutional transformation between 2013 and 2015 was primarily caused by the appointment of Matolcsy and his subsequent institutional entrepreneurship. The political backing of the Fidesz Party and Prime Minister Viktor Orbán also served a pivotal role both as a precondition and an intervening factor, respectively, in the process. In what follows, we first provide a review of the relevant literature on the role of institutional entrepreneurship in institutional change and its relevance for the study of central banking. Second, we formulate our hypothesis and present our research design. Third, based on interviews and document analysis, we analyse the mission creep of the Hungarian central bank and the role of institutional entrepreneurship in ushering in these changes. The final section concludes.

## 2 LITERATURE REVIEW

Our analysis of the MNB's mission creep relies on three main strands in the relevant literature: institutional change and its application to central banking, institutional entrepreneurship as a cause of institutional change and the political economy of central banking in Central Eastern Europe. Starting with the first of these topics, the literature on economic governance specifies a wide variety of potential causes of institutional transformations. In the context of central banking proper, Bakir (2009, p. 577) cites "legal and economic pressures" as well as "ideational entrepreneurs" for institutional change in Turkey. While these are well-established causes of institutional change, the role of agency in the form of the activity of policy, ideational or institutional entrepreneurs is less pronounced in the literature.

Among the baseline theories of institutional change, the notion of "economic pressures" is often described in terms of "exogenous shocks", "critical junctures" or "economic crises" (see also Bakir & Jarvis in this volume). Hooren, Kaasch, and Starke (2014, p. 605) go as far as to state that "the idea that moments of crisis form opportunities for fundamental policy change is widespread in political science and public policy". Similarly, Falleti and Lynch (2009, p. 13) contend that many analyses of institutional change "situate the critical juncture at the point of some exogenous shock (war, depression, shift in commodity prices, etc.)".

Another strand in the literature focuses on the interconnectedness of domestic political economies on the global level. Within this general approach, the themes of “transnationalization” (Stone, 2004), “Europeanization” (Radaelli, 2003), “policy transfer” (Dolowitz & Marsh, 2012), “policy convergence” (Knill, 2013), “policy diffusion” (Shipan & Volden, 2012) and “policy learning” (Dunlop & Radaelli, 2013) stand out. While the ideational approach to institutional change has some overlaps with the policy transfer literature (for such a work on central banking, see King [2005]), it is also a flourishing research direction in its own right (Blyth, 2002; Schmidt & Radaelli, 2004). According to this line of research, epistemic communities (Haas, 1992) and policy networks (Rhodes, 2006) generate innovative policy ideas that are subsequently adopted and implemented in the domestic polity, internationally or both.

Despite the prevalence of these approaches to institutional change, the crucial ingredient of human agency is often missing. Peters, Pierre, and King (2005, p. 1296) state that “ideas without agency cannot be effective” (while adding that “agency without ideas cannot provide any direction to change”). Similarly, with respect to the creation of the Federal Reserve Sebők (2011) highlights the role of policy entrepreneurship, besides the obvious effect of exogenous financial shocks in the form of bank runs. Due to the shortcomings of the literature, the role of policy and institutional entrepreneurs is receiving increased attention as a key explanatory factor (David, 2015).

The idea of *institutional entrepreneurship* belongs to a wider family of agency-based explanatory frameworks. The notions of “ideational entrepreneurship” (Ban, 2015), “public entrepreneurship” (Ostrom, 2005) and “policy entrepreneurship” (Kingdon, 1984, p. 122) all overlap with the concept of “institutional entrepreneurship”. Nevertheless, they all have a different focus in research applications: institutional entrepreneurship, for example, is most often associated with organizational and mission changes (Hardy & Maguire, 2008), our primary topic of interest.

Institutional entrepreneurship refers to the “activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones” (Maguire, Hardy, & Lawrence, 2004, p. 657). DiMaggio (1988) defines institutional entrepreneurship as “a means of understanding how new institutions arise” (Lawrence & Suddaby, 2006, p. 217). This is related to the concept of institutional work, which is “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby, 2006, p. 215). Garud, Hardy, and

Maguire (2007, p. 962) stress that to “qualify as institutional entrepreneurs, individuals must break with existing rules and practices associated with the dominant institutional logic(s) *and* institutionalize the alternative rules, practices and logics they are championing” (emphasis in the original). Based on this definition, institutional entrepreneurship differs from policy entrepreneurship in that its focus is not on influencing the policy agenda but on ushering in institutional changes.

The literature lists three types of institutional work: creating, maintaining and disrupting (Lawrence & Suddaby, 2006, p. 220). The most important aspect for our present purposes is the creation of new institutions. Lawrence and Suddaby (2006, p. 221) list nine elements of what institutional entrepreneurs actually do when undertaking institutional transformation: (1) advocacy reflects the mobilization of political and social support through various techniques of social suasion; (2) defining refers to the creation of status and identity hierarchies and boundaries; (3) vesting is a method of conferring property rights; (4) the construction of identities defines the relationship between the actor and the field in which she operates; (5) the changing of normative associations overhauls the moral and cultural foundations of practices, whereas (6) the construction of normative networks allows for the monitoring and influencing of peer groups; (7) mimicry enables the easy adoption of existing practices while (8) theorizing offers new ideas with respect to chains of cause and effect; finally, (9) the education of actors provides the skills and knowledge necessary for supporting the new institution.

While the notions of institutional entrepreneurship and institutional work are most developed in organization studies, more recently they have been applied to policy studies and political economy. Mandelkern (2015) offers an account of how economic liberalization took place in Israel by focusing on the institutional entrepreneurship of economists. Trampusch (2015) describes entrepreneurial institutional innovations related to German sovereign debt management. In his analysis of central banking reform in Turkey, Bakir (2009, p. 571) suggests that “institutional and policy change is more likely to occur when policy entrepreneurs, with joint membership in domestic and transnational policy communities, mediate various ideas and discourse within and among these communities in a punctuated institutional equilibrium”. Nevertheless, other approaches to theorizing central bank mission transformations—such as international embeddedness and policy diffusion—are more prevalent in the literature (Ecklund, 2008; Johnson, 2006).

This description also holds for analyses of the developments in Hungarian central banking. The macroeconomics perspective is ubiquitous, especially when it comes to the comparison of the new EU member states of the Visegrad Group (the Czech Republic, Hungary, Poland, and Slovakia). Frequent topics include monetary policy and exchange rate regimes (Kočenda & Valachy, 2006; Siklos & Ábel, 2002), euro adoption (Frenkel & Nickel, 2005), central bank independence (Cukierman, Miller, & Neyapti, 2002; Kießmer & Wagner, 1998) or communication (Frömmel, Kiss, & Pintér, 2011). Some of these topics have also received political economy treatments (Dandashly & Verdun, 2016). More recently, and in large part as a reflection on the electoral victory of Viktor Orbán in 2010 and the subsequent policy switch in macroeconomic policy, the issue of financial and banking nationalism has come to the forefront (Johnson & Barnes, 2015; Mérő & Piroska, 2016; Young, 2014).

One of our conclusions from this review of the literature is that applications of the institutional entrepreneurship approach are fairly under-represented in studies of institutional change in macroeconomic governance. Furthermore, accounts of the effects of individual or group agency in ushering in institutional change in the policy domain of central banking are even rarer. Finally, the unique developments of the post-2013 transformation of the MNB have yet to be subjected to a rigorous study.

### 3 THEORY AND METHODS

This chapter addresses the causes of the large-scale institutional changes in the policy subsystem of central banking in Hungary between 2013 and 2015. We advance the argument that the mission transformation of the Hungarian National Bank would never have happened without the active institutional entrepreneurship of György Matolcsy. The political backing of the right-wing Fidesz Party government served as a precondition in this process with its appointment of Matolcsy as central bank governor and the significant legislative and PR resources deployed in defence of his subsequent activities. Taken together, these two propositions form our hypothesis: institutional entrepreneurship and its political support serve as *sufficient conditions* for the mission creep of the MNB and also as *necessary conditions* for its actual policy content.

We examine this research question and hypothesis by means of a qualitative case study (Creswell, 2012). Drawing on the general methodological approach of the “disciplined interpretive case study” (Odell, 2001), we

apply the institutional entrepreneurship thesis to a policy domain-country pair that has not previously been examined with this framework. In our qualitative case study, we rely on the method of process tracing (Beach & Pedersen, 2013; Bennett & Checkel, 2014; Collier, 2011; Vennesson, 2008) to understand how and why this large-scale mission creep developed in such a short period.

According to Mahoney (2012, p. 2), “process tracing can be used as a method for evaluating hypotheses about the causes of a specific outcome in a particular case”. In our research design, we use the so-called smoking gun test (Bennett, 2008, p. 706; Collier, 2011, p. 827; Mahoney, 2012, p. 2) to establish a causal process observation. This test is considered to be sufficient (but not necessary) to establish a causal relationship between an initial event or process and a subsequent outcome (Mahoney, 2012). Beyond the smoking gun test, we also provide a qualitative analysis—based on interview data—of why the elements of our hypothesis can also be considered necessary conditions for the actual outcome.

This research design fulfils the standard criteria for establishing a causal relationship in political science (Kellstedt & Whitten, 2009, p. 48). Applying this general framework to our actual case, the first step was to establish a causal mechanism, or causal story, of how institutional entrepreneurship led to all the major institutional and policy changes listed in this study (it also implies establishing that the cause happened before the effect). The confirmation of our hypothesis should have the observable consequence of identifying the presence of various elements of institutional entrepreneurship and institutional work in the processes leading to mission transformation. If any, or all, of the aforementioned nine elements of institutional work are at present, then Step 1 is complete.

In Step 2 we prove that no reverse causation is present: in our case, it was not institutional change that led to the appointment and subsequent entrepreneurial activities of Matolcsy. Step 3 shows that institutional entrepreneurship and institutional changes were in sync during the process (co-variation). The task of Step 4 is to establish that no confounding variable caused both the entrepreneurial activities and mission creep. Insofar as counterfactuals (or competing hypotheses) are disproved, this probe approaches the strong inferential features of a doubly decisive test (Collier, 2011, pp. 827–828). While our current research design does not cover all possible counterfactuals, at least two widely used hypotheses (government change and policy transfer) are explicitly refuted.

We applied a two-pronged approach to data analysis. First, we conducted five semi-structured elite interviews which cover Hungarian central banking since 1990. In a unique undertaking in studies of Hungarian central banking, our respondents were György Surányi (MNB governor 1990–1991 and 1995–2001), Péter Ákos Bod (governor 1991–1994), Zsigmond Járαι (governor 2001–2007), Ferenc Karvalits (vice-governor 2007–2013) and György Matolcsy (governor 2013–present). In our excerpts from these conversations, we denote each participant alternatively by his surname and refer to them collectively as “governors”. The interviews were transcribed and coded for policy domain in ATLAS.ti, a qualitative data analysis program. Second, we analysed primary and secondary documents to establish the causal story and the general evidence base for what took place during the process of mission creep, when and how. Data sources included official documents (such as laws, regulations and policy reports related to central banking), news reports and pieces of investigative journalism.

## 4 ANALYSIS

The first phase in our analysis is the presentation of the viability of our thesis regarding “institutional transformation”. Having validated the research problem, we move on to establish causality in a “smoking gun”-type process-tracing design applied to six policy subdomains of central banking and financial regulation. For each case, we first present a causal story and an account of co-variation between the explanatory event and the outcomes (Steps 1 and 2 in establishing causality). Second, we show that reverse causation is not a problem and that confounding variables are not responsible for causing either institutional entrepreneurship or mission creep (Steps 3 and 4). In the final step, we provide a summary of various aspects of the institutional work undertaken by Matolcsy.

### 4.1 *The Explanandum: The Scale of Mission Transformation*

György Matolcsy was appointed central bank governor on 4 March 2013. He secured political control over the organization in a matter of weeks by sidelining his two inherited vice-presidents through the appointment of executive directors to supervise organizational units previously under their purview.<sup>2</sup> Starting with his second period at the Ministry for the National Economy, and continuing as governor of the MNB, he also developed a

unified macroeconomic power base, unparalleled by any other institution in the Hungarian state structure.

The merging of previously independent institutions or functions into the new MNB superagency involved virtually all macroeconomic and financial decision-making bodies from the Financial Stability Council to the Fiscal Council. While the previous incarnation of the former included the minister responsible for financial policy among its members, the membership of the former Financial Stability Council was supplanted with that of the MNB leadership in the newly created body that bore the same name.<sup>3</sup> In the case of the Fiscal Council, its organizational independence was discontinued with the backing of the cabinet (and therefore with the support of Matolcsy, the leader of the super-ministry for macroeconomic affairs) in 2010. Its staff was laid off, the council itself was disbanded and a new council was established, its membership consisting of the head of the State Audit Office (a former Fidesz MP), ex-MNB governor Járαι and—from 2013—Matolcsy himself.

Besides producing these general institutional changes, Governor Matolcsy embarked on a process of mission creep in at least six major areas of central banking activities proper. These encompassed policy changes accepted by mainstream central banking as well as self-described “unorthodox” measures. These six areas of mission creep were: (1) the merging of the MNB with the formerly independent financial regulatory authority, (2) a massive quantitative easing programme and a change of direction in interest rate policy, (3) the nationalization of a major commercial bank, (4) the assumption of development banking functions, (5) the build-up of a real estate portfolio, and (6) the creation of new research foundations and higher education organizational units. It is our proposition that, taken together, these six streams led to the largest institutional overhaul of independent central banking in Hungary (and the independent MNB itself) since its establishment in 1991.

In his interview, György Matolcsy offered a historical account of central bank mission transformations:

The world of central banking has seen multiple radical transformations over the past 200 years: from the establishment of the first reserve banks through the creation of the FED early in the twentieth century and the Great Depression of 1929–1933 to the [monetary policy shift] in 1982 in the US. The last of these turning points came about as a consequence of the financial crisis of October 2008. [In this latter period,] the leading central banks of the world, including the FED in 2009, then the Bank of Japan



and—two or three years later—the European Central Bank initiated a monetary policy switch [...] This radical transformation of the large central banks was—at least in the case of the quantitative easing programmes of the FED—[labelled] “unorthodox”.

According to Matolcsy, no similar transformation had taken place in Hungary before his appointment:

[Until March 2013] the Hungarian central bank was in a moribund state, it did not fulfil its mandate according to the law [on the MNB], let alone adapting to the post-2009 global transformations. When I was Minister for the Economy and my policies were called “unorthodox”, this was meant as a derogatory term. In fact, in the world of central banking, the [word] unorthodox was meant as a compliment, a way to refer to this radical turning point in monetary policy.

In sum, with respect to the radical transformation of central banking in Hungary Matolcsy, the protagonist himself, concurs with our proposition. Furthermore, most previous governors tend to agree with Matolcsy’s statements with regard to the scale of institutional transformation. Péter Ákos Bod, the second governor of the MNB in newly democratic Hungary, claims that “this is clearly a break” in the history of domestic central banking. He adds, that

[his] conclusions [drawn] from the crisis of the system are radical, forceful and they go way beyond a correction. This is in line with the general pattern of positioning the government above the usual rules of checks and balances [... therefore] whenever we say “central bank”, we should always say “prime minister”.

Zsigmond Járai—also appointed by a right-wing government—implicitly offers a similar view:

A lot of things have changed in the economy over the years [...] but in my opinion the proper philosophy of central banking is that the central bank has its tasks, goals and it has to carry them out [...] In my view, these [additional activities of the MNB after 2013] are not compatible with [the mission of the central bank].

Ferenc Karvalits—who was appointed as a member of the MNB board under a left-wing government—echoed this view, and went on to claim that the

role perception of previous governors was consistent in this respect. There are core activities and the board has autonomy with respect to these core activities. It must not deal with other activities.

The final interviewee, György Surányi (who was governor twice in the 1990s) offered an account that emphasized the idiosyncrasies—as opposed to the similarities—of the six periods in question. He maintained that “Matolcsy has an aversion towards high inflation that is significantly weaker” than his predecessors’ and that his auxiliary policies were of questionable legal status. However, he agreed with Matolcsy when it came to certain other policies, such as the “Funding for Growth” programme.

His emphasis on policy details in assessing continuity and change in Hungarian central banking is also interesting, because some other ex-governors also agreed with the principle of at least some of Matolcsy’s innovations, if not with their timing and/or execution (we return to these nuances in the next section). Nevertheless, and in sum, four out of five central bank governors (including Matolcsy himself) agreed by and large with the notion that there was a radical transformation after 2013. Having thus established the validity of the proposition regarding mission transformation, we now turn to the four-step analysis of causality in all six major domains.

## 4.2 *Causality: Causal Story and Co-variation*

### 4.2.1 *The General Causal Story*

The general causal story relating to our hypothesis is as follows. The institutional entrepreneurship of György Matolcsy played a crucial role in bringing about a wholesale institutional transformation of the MNB. The post-2013 developments in all six policy areas have the same three roots: the economic policy ideas, the bureaucratic capability and the political dexterity of Matolcsy, which form the core of his strategy for institutional work.

First, Matolcsy has explained his vision for Hungarian macroeconomic policy in various interviews, op-eds and books, in some cases a decade before taking his first cabinet position in 2000 (he also briefly served as a state secretary and chief economic policy advisor to the Prime Minister in 1990). The six domains of institutional transformation explored in this chapter originate in five basic ideas: the primacy of the public good over

profit motive; the primacy of the national interest over private and foreign interests; the primacy of grand strategy and voluntarism over muddling through and adaptation; the primacy of the real economy over finance; and economic growth as the primary goal of macroeconomic policy. These ideas are ever-present in Matolcsy's books on the "American Empire", and those on domestic economic policy: *From Vanguard to Bringing up the Rear* and *Shock Therapy, or Too Little?*<sup>4</sup> He summed up the basic tenets of his vision at a round-table presentation of his 2015 book (*Economic Balance and Growth*) as follows: "The post-2008 world has changed: neo-liberal economic policy has failed; politics have taken over the reins from the economy, just as the state reclaimed its power from the market, and the government from the banking system". As we will show, these conceptual tenets significantly shaped the new institutional setup of the MNB initiated or consented to in 2013. This mix of ideas is not only idiosyncratic to Matolcsy, it is also in stark contrast to the mainstream approach of most other significant decision-makers in post-regime change Hungary.

Second, Matolcsy was not simply an ideational entrepreneur: in various positions, he proved a capable bureaucrat with a track record of instigating wide-ranging changes in the economic policy domain assigned to him. His first period as Minister for the Economy (from 2000 to 2002) was marked by a wide-ranging growth programme dubbed the "Széchenyi Plan" after István Széchenyi, the nineteenth-century public figure. Matolcsy was also a key player in the institutional innovation of the second cabinet of Viktor Orbán between 2010 and 2014: the merger of the finance and economy ministries. After his first stint in the cabinet, Matolcsy realized that the traditional supremacy of the Ministry of Finance in economic policymaking was hindering his proposed policy shift. The newly created super-ministry was a self-conscious attempt to address this problem. In fact, a common thread through all the major policy changes associated with Matolcsy is that he first created a unified power base with which to implement the necessary changes.

The Széchenyi Plan and the structural changes in the cabinet were clearly in line with Matolcsy's long-held positions. Just as important, they were also clear signs of his skill in translating abstract ideas into policy decisions. But the third, crucial, element of Matolcsy's transformative strategy was also ever-present during these processes: his political dexterity. The decidedly anti-technocratic outlook of Matolcsy made him an advocate of growth-oriented policies, which earned him near-outcast status in the stabilization-focused Hungarian economic policy elite.

Nevertheless, this resonated well with the emerging leader of the Hungarian centre-right in the 1990s, Viktor Orbán.

In line with his electoral strategy, Orbán progressed from West European-style conservatism to “illiberal” populism during the 2000s and early 2010s, and was in need of someone who could lead a nationalist economic agenda yet still accommodate certain key factions of foreign capital. Matolcsy fit the bill perfectly, not just from an ideological and policy perspective, but also in his ability to create a team of Fidesz loyalists, careerists and fringe economists who would support and follow him in his various roles (and some of whom, in fact, initiated the “Matolcsy-revolution” at the MNB as external members of the monetary policy council from 2011). Let us now present this general transformative strategy and the specifics of Matolcsy’s institutional work—as well as the events co-occurring with these activities—in more detail.

#### 4.2.2 *Domain 1. Financial Regulation and Supervision*

The biggest of the numerous mergers and “acquisitions” initiated by Matolcsy was the fusion of the MNB with the Hungarian Financial Supervisory Authority (PSZÁF) in October 2013. The concentration of monetary policy and financial supervision under the same institutional roof is not unheard of in European economic governance, starting with the European Central Bank itself, which assumed supervisory roles under the aegis of the “single supervisory mechanism”.<sup>5</sup> In the event, the ECB first approved,<sup>6</sup> then criticized<sup>7</sup> the merger (for the substantial difference between the text of the draft proposal and the approved law). Subsequent institutional innovations included the creation of a workout company for non-performing commercial real estate portfolios (MARK Zrt., in November 2014), and the MNB subsuming the role of resolution authority with the aim of creating a “bad bank” status for the non-performing parts of the MKB bank, its retail bank acquisition (see Domain 3 below).<sup>8</sup> As a consequence, the MNB remained the sole authority responsible for regulating, supervising and resolving financial institutions.

Matolcsy claimed that he was in favour of an integrated financial regulatory framework from his days at the Ministry for the National Economy:

As a cabinet member, I proposed that we set up a completely unified central bank in order to bring an end to the instability of the Hungarian financial system. While some degree of integration was achieved in many parts in the world [...] we were and are of the view that if we move towards integration,

there should be an integration of activities (related to financial regulation and supervision), [...] both the macro stability and micro stability aspects.

While the most suitable institutional configuration for organizing monetary policy and financial supervision was a recurring theme in Hungarian economic policy, previous governors had made no concerted effort to achieve a total merger of these functions, despite the fact that multiple governors contemplated the idea and most supported some sort of an integration. In their interviews, they usually pointed towards the role of the financial crisis in bringing issues of macroprudential supervision to the fore. Ferenc Karvalits, member of the board preceding the Matolcsy period, would have supported a legislative initiative towards more integration, up to a point:

I would have supported such a move, but ... [In the previous configuration,] PSZÁF was responsible for all aspects of supervision. And it is an overwhelming job if you take on all these aspects, including equity markets, yourself. Having said that, this would have been the right direction. Nevertheless, I think that conducting the resolutions of [troubled] banks is not part of this. In these cases, you have to make fiscal decisions. You have to provide capital—this is not something the central bank should do. The central bank as a supervisor should make the call whether a bank is liquid or not. If you are not liquid, I could extend a loan. In the alternative case of insolvency, your owner should provide capital or put you into a resolution process [by the government].

In sum, the evidence points towards the institutional entrepreneurship of Matolcsy in creating a *completely* unified framework for monetary policy, financial regulation and supervision, and organizing support for the necessary legislative amendments.

#### 4.2.3 Domain 2. Interest Rate Policy and “Self-financing”

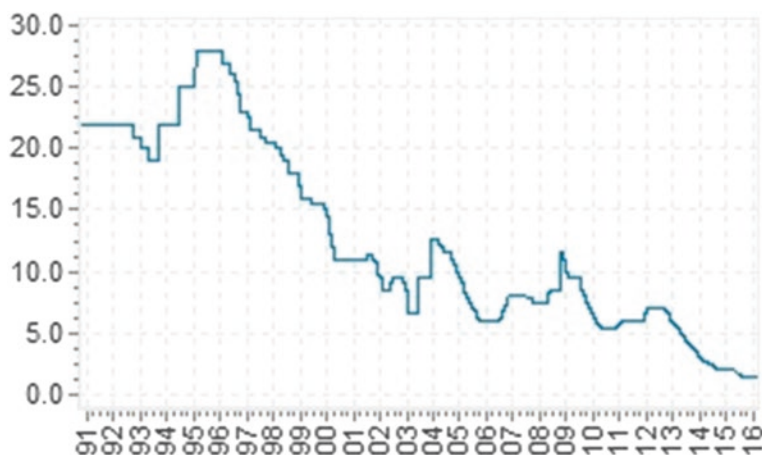
The monetary policy of the post-2013 period is in marked contrast to the preceding policy paradigm. The shift was not only evident in interest rate policy but in various other aspects of monetary decision-making, such as the rearrangement of reserve instruments and managing the interest rate corridor. Starting with interest rate policy, it provided one of the earliest signs of a new era of loose monetary policy. The Fidesz-appointed external members formed a majority in the Monetary Policy Council from 2011—in opposition to Governor Simor and his two vice-governors—and they

swiftly embarked on reducing the policy rate. Matolcsy delicately described this situation as follows:

[Their activity] clearly presaged the shape of things to come. [The government] maintained—in line with the letter and spirit of the law on the MNB—a modest but efficient relationship with the external members. There was a constant dialogue [...] which is completely appropriate as [decision-makers in] fiscal and monetary policy talk to each other in every country. They realized [the need for a radical change] and in this respect the external members were precursors to the monetary policy switch from March 2013.

With the Monetary Council firmly in his grip, from March 2013 the new governor first introduced smaller units of interest rate change (0.2, 0.15. and 0.1. basis points, as opposed to the conventional 0.25 basis points) and then followed up with a multiyear interest rate reduction programme (see Fig. 10.1).

This resulted in multiple historic lows for the policy rate. Besides a change in the underlying policy paradigm, this programme also reflected a changing international environment. Oil prices plummeted and major developed countries cut their headline interest rate close to zero in the



**Fig. 10.1** Time series of MNB benchmark interest rate. Source: <http://www.global-rates.com/interest-rates/central-banks/central-bank-hungary/mnb-interest-rate.aspx>

post-crisis environment. Similar trends prevailed in the Central Eastern European region where, for instance, the Czech policy rate first had flat-lined at 0.05% and then remained there for years. In hindsight, most governors agreed that the financial crisis reset the stage in terms of the primacy of disinflation. Járαι said:

I am in favour of the [policy switch]. I did not agree when [the previous leadership] did not change pace. If the world changes, monetary policy has to follow suit. [...] From 2008, there was no inflationary threat [...], deflation was the real challenge.

Surányi was equally critical of both governors of the period 2001–2013: ‘In my view, there is a continuity over these 12 years in that—in a one-sided, doctrinaire fashion—they pursued the sacred inflation target, for better or worse’.

Beyond discretionary policy decisions, Matolcsy did not propose to do away with inflation targeting, but he was seemingly content with a significantly lower level of consumer price inflation (negative or below 1%) than the target of 3%, and introduced a more flexible format in March 2015, when the target was changed to 3% with a  $\pm 1$  percentage point tolerance band. He also initiated a complete overhaul of the monetary instruments, which culminated in eliminating the two-week repo altogether in favour of other instruments.<sup>9</sup>

Finally, in the form of a “self-financing programme”, Matolcsy also introduced a complex initiative which shrank the balance sheet and reduced “the risks stemming from the high external and FX government debt”.<sup>10</sup> As the FX loan crisis showed, external exposure resulted in financial instability at the macro level, as well as insecurity at the micro level. Therefore, this policy switch can also be considered an attempt to correct a policy failure. Matolcsy stated that:

This balance sheet reversal led to squeezing out hundreds of billions of Hungarian forints from the balance sheet of the MNB and it all went to the government bond market. [...] This was a universal programme, one that helped us kill multiple birds with one stone.

The governors were very critical of this particular initiative. A recurring view was that “balance sheet reversal” was, in fact, a natural process in a post-crisis environment shaped by deleveraging. The motives were also debated: the process of squeezing the balance sheet led to massive profits

for the MNB which it did not transfer to the government's account as was customary (see Domain 5 and 6 below). Nevertheless, in the final analysis, the respondents agreed that the “self-financing programme” was one of the major shifts from extant monetary policy. The sum of these changes constitutes one of the largest monetary policy overhauls of democratic Hungary, a turn towards expansionary monetary policy which mixes orthodox and unorthodox elements in a clear break from both the underlying philosophy and the policy instruments of its predecessors.

#### 4.2.4 *Domain 3. Retail Banking*

One of the most unconventional policy changes initiated by György Matolcsy as governor was the temporary acquisition of a major Hungarian retail bank. The underlying policy switch had already been underway when Matolcsy arrived at the central bank. Prime Minister Orbán famously stated in July 2012 that “50% of Hungary's banking system should be in Hungarian hands”.<sup>11</sup> By November 2014 he expected “60 percent or more of the banking sector to end up in Hungarian hands”.<sup>12</sup> This target could have been achieved without the assistance of the central bank, as was the case with the nationalization of the savings co-operatives in June 2013<sup>13</sup> and that of Budapest Bank, the country's eighth biggest retail bank, in February 2015.<sup>14</sup> But MNB eventually played a key role in realizing this policy.

Ever since the change of guards in 2013, the central bank was involved in the talks which led to the nationalization of MKB, Hungary's fifth biggest retail bank (by balance sheet in 2014). The technical details of the purchase reveal a complex transaction. Bayern LB, MKB's owner, and the Hungarian state agreed the 55 million euro sale in September 2014.<sup>15</sup> This was a self-acknowledged coup for the parent company,<sup>16</sup> as it had reportedly lost over a billion euros in multiple rounds of recapitalizations over the preceding years and additional capital requirements were estimated to be in the range of 700 million euros.<sup>17</sup> This tab was partly picked up by the Hungarian state—with the intermediary of a newly created bad bank, the Resolution Fund, owned by MNB—as it paid around 100 million euros for the largely non-performing real estate loan portfolio of the bank (official MNB communication denied that any government fund was used during the process). The lender was later re-privatized (to a consortium of mainly Hungary-based buyers)<sup>18</sup> in 2016, with Ádám Balog, a right-hand man of Matolcsy and former deputy-governor of the MNB, taking charge as the new CEO. According to Matolcsy, the MNB had no choice but to extend its mission to the work-out of the retail bank:



The government asked us to take part in [this project]. The MNB has three mandates: price stability, financial stability and supporting the economic policy of the government. [Based on this latter], we had a duty to take part [in rescuing MKB]. But of course, we performed this duty because the resolution of MKB [...] was a targeted monetary policy instrument [...] The importance of [nationalizing and re-privatizing] MKB does not measure up to that of Funding for Growth, but it is a symbolic issue, nevertheless. It shows the radical turn in monetary policy and financial supervision.

Other post-1990 central bank governors would not have followed this path, considering it a deviation from the core mission of the MNB. Zsigmond Járai indicated that his primary motive was to make “banking more efficient, not to influence the market’s structure”. According to Ferenc Karvalits, purchasing ownership stakes in a retail bank is “not in the job description of a central bank”. In a similar manner, Péter Ákos Bod and György Surányi related stories of how, in the 1990s, their central bank made a concerted effort to shed non-core activities, such as managing price and exchange controls and maintaining foreign subsidiaries.

As a result of the MKB and other transactions, the target set for 50% domestic ownership in the banking sector was reached according to calculations in the press.<sup>19</sup> Furthermore, these new domestic owners (both state-affiliated and private) of major retail banks formed part of a Fidesz-friendly circle of bankers,<sup>20</sup> who received formal incentives (such as a reduction of the special bank tax)<sup>21</sup> and a seat at the table<sup>22</sup> for complying with the MNB strategy and selling MNB products, such as the Funding for Growth scheme (FGS). This shows an unexpected twist in Matolcsy’s strategy: in his view, retail banks should not be held in public ownership<sup>23</sup>—instead they should be regulated and incentivized for lending. Nevertheless, in light of these developments, the MNB’s activist approach to the banking system is a clear sign of the new policy directions of its post-2013 leadership.

#### 4.2.5 *Domain 4. Financing Economic Growth*

Besides gaining stakes in retail banks, the MNB also launched commercial banking activities of its own in the form of the FGS.<sup>24</sup> Launched in April 2013, this initiative was one of the first decisions taken by Matolcsy, who had only assumed office a month before. The aim of the programme was to

extend affordable credit to small- and medium-size businesses (SMEs), which—according to MNB—“ha[d] been struggling to access bank loans since the onset of the global crisis in 2008”.<sup>25</sup> Official documents described the scheme as follows: “the MNB provided collateralized refinancing loans with 0% interest rate to credit institutions, which in turn used that for lending to SMEs, with an interest margin of maximum 2.5 per cent and a term of maximum 10 years”.<sup>26</sup> In addition to progressively increasing the funds available for the programme (topping HUF 700 billion),<sup>27</sup> in early 2015 the MNB also set up a subsidiary of the FGS, “with HUF 500 billion set aside to finance new loans for SMEs that are of average credit risk”.<sup>28</sup>

This policy initiative had all the classic elements of Matolcsy’s approach. His long-standing criticism of what he called neoliberal economic policy was rooted in the stabilization policies of the mid-1990s: “monetary policy squeezed corporate sector demand for loans, which led to unemployment and mass bankruptcy”.<sup>29</sup> The idea of the FGS is well present in policy papers he penned as the founder of his (mostly one-man) Privatization Research Institute and its successor, the Institute for Growth. The connecting ideas of the primacy of the real economy over finance and economic growth as a pivotal domain of economic policy are also mentioned in his 2004 analysis of the possible date of a Eurozone entry for Hungary: “the Maastricht criteria in fact hinder our catch up [...] it’s the speed of real convergence that matters”.<sup>30</sup>

While providing guarantee and liquidity schemes for SMEs is not a traditional domain of central banking, the FGS is also not without precedents in developed market economies. The primary model for the MNB programme was in fact “Funding for Lending”, a programme established by the Bank of England and the UK Treasury in July 2012, and was designed to “incentivize banks and building societies to boost their lending to the real economy”.<sup>31</sup> Despite this precursor, in his interview Matolcsy described how this approach had to be explained before his European colleagues:

Still we had to defend it in Frankfurt [the seat of the European Central Bank], to show that our programme is not a “Hunglish”, or “Hunique”, or barbarian programme, and that this is all based on the Bank of England [...] There was a credit crunch of immense proportions [...] If we had not initiated Funding for Growth, the Hungarian economy would have imploded.

Even as a 2016 country report by the European Commission maintained that “Hungarian firms do not point out ‘access to finance’ as the

single most pressing issue in doing business”,<sup>32</sup> the FGS, as a form of quantitative easing, can only be considered unconventional in a pre-crisis context. Perhaps this is the reason why ex-governors would have contemplated similar programmes despite their “unorthodox” nature. György Surányi indicated that he had proposed a similar programme back in 2008. Zsigmond Járai maintained that he would have consulted his team under similar circumstances. In principle, he could have entertained the idea of such a lending programme, but its implementation would have been drastically different. Despite the ex-governors’ theoretical acknowledgement of the potential usefulness of such a programme, the fact remains that it was only after 2013, and with the active institutional entrepreneurship of Matolcsy, that it was initiated.

#### 4.2.6 *Domain 5. Real Estate Portfolio*

The creation and management of a commercial real estate portfolio is seldom considered to be a core function of modern central banks. Despite this conservative tradition, the MNB embarked on building up a real estate portfolio on a large scale after 2013. The contract to buy a piece of property called Eiffel Palace is representative of these acquisitions. This high-end office building on one of the busiest squares of Budapest had an estimated value of US\$43 million at the time of the transaction. The MNB purchased the building for around US\$65 million and the profit was realized by the seller, an offshore company.<sup>33</sup> While the original intent was to offer the building for commercial lease, at least part of it was reserved for the use of the MNB. A number of other high-profile real estate purchases were disclosed by various media outlets, including the Castle Hotel of Tiszaroff, the old City Hall in the Buda Castle area, and a resort in a village by the Lake Balaton, where the Matolcsys maintained a residence (and where Matolcsy’s wife served as mayor).<sup>34</sup> The total estimated value of real estate investments made by the new foundations of the MNB (see Domain 6) between late 2013 and September of 2015 surpassed US\$36 million.<sup>35</sup>

According to a letter in which Matolcsy responded to public criticism by Péter Ákos Bod, the creation of a real estate portfolio simultaneously served the public interest (by creating “public wealth”), the national interest (“by keeping representative pieces of property in Hungarian hands”) and capacity building for further strategic moves by generating rent income.<sup>36</sup> The ex-governors interviewed were, for their part, unanimous in their disapproval: the funding for these purchases came from the earn-

ings of the central bank, which—in their view—should have been transferred to the state budget. In sum, no other governor considered this type of activity to be in the interest of the public or to be part of the core mission of central banks, which is indicative of the novelty of this approach in post-1990 Hungarian central banking.

#### 4.2.7 *Domain 6. Education, Research and Art Funding*

The creation of central bank foundations is the final item of our account of the institutional transformation of the MNB. Under Matolcsy's leadership, the central bank initiated talks with Corvinus University of Budapest, the leading Hungarian higher education institution in the field of economics, about exploring potential cooperation. These negotiations eventually led to the establishment of a so-called "MNB department"<sup>37</sup> at Corvinus in the second half of 2015. The MNB department is not the only institutional innovation by the central bank governor (a new "Centre for Geostrategy" was also planned along with other projects at institutions of higher education across the country). It shows Matolcsy's ambition in the field of education, but it also led to widespread criticism of its potential threat to academic freedom.

Ever more controversy surrounded the establishment of the research funding and corporate social responsibility (CSR) arm of the central bank. For these purposes, the MNB set up six funding outlets under the brand name "Pallas Athénéé Foundations".<sup>38</sup> The mission of these foundations ranged from the creation of think tanks and small business incubators to supporting the education of Hungarians beyond national borders. The most controversial common element of these activities was that financial reports and grant recipients were initially not disclosed, as the leadership of the MNB did not consider these sources to be public funds, even though they were financed by the operating profit of the central bank.<sup>39</sup> Finally, besides its ventures in education and research funding, the central bank also embarked on a large-scale, 100 million euro "Treasure Chest" programme for buying expensive pieces of art and musical instruments. These purchases included a painting by Brueghel.<sup>40</sup>

The idea of the primacy of the public good in shaping economic policy is present in the wide-ranging CSR strategy of the MNB, both in the accompanying rhetoric and the content of its decisions. A penchant for grand strategy also played a role in the creation of university departments and research centres for "geo-economics". Matolcsy himself emphasized the contribution of these activities to economic growth:

But what are the sources of long-term growth and long-term, stable employment? Of course, it's the increase in the level of knowledge. [...] So, it is education that can be a trigger for [growth and competitiveness], which we can support through our third mandate [i.e., supporting the economic policy of the government].

As indicated above, this last mission creep of the central bank was not without its critics. The new specializations were established without prior approval of the higher education accreditation commission and the scholarships associated with the programme far exceeded what was customary.<sup>41</sup> The Committee on Economics of the Hungarian Academy of Sciences even issued a statement highlighting these and other anomalies,<sup>42</sup> in response to which the MNB threatened legal action.<sup>43</sup> In our interviews, the ex-governors expressed similar opinions to those related to the real estate portfolio: none of the four former governors found merit in Matolcsy's reasoning, and on more than one occasion they questioned the legality of these institutional innovations.

### 4.3 *Causality: Reverse Causation and Competing Hypotheses*

In this second part of our process tracing we proceed to consider alternative explanations of the institutional transformation of the MNB after 2013. We start with a brief discussion of the possibility of reverse causation. Then we move on to evaluate two hypotheses competing with the institutional entrepreneurship model: policy change initiated by a change in government, and policy transfer.

A reverse causal story which claims that the institutional transformation of the MNB led to the appointment and institutional work of Matolcsy contradicts the facts. In Domain 1, banking supervision was performed by an independent agency (under multiple names) from the regime change of 1990 up until 2013.<sup>44</sup> In Domain 2, the interest rate-cutting programme—launched by Matolcsy loyalists in 2011 and continued under his leadership—fulfilled its initial promises and resulted in historic lows for the benchmark rate. In Domain 3, our interviews confirmed that the central bank was not the primary player in the reorganization of commercial banks during its preceding history of 23 years. Similarly, with respect to Domain 4, the central bank did not pursue an explicit and large-scale programme of financing economic growth. As for Domain 5, the legacy real estate portfolio of the MNB (consisting mostly of resorts for employees) was

sold off by 2009.<sup>45</sup> Finally, in Domain 6, the CSR policy of the central bank prior to 2013 did not intend to found new university departments or to fund research projects unrelated to monetary policy (such as those concerning economic geography or geopolitics). In these major policy domains under the purview of the MNB, institutional transformation started in or after 2013. Signs pointing towards the subsequent transformation of the underlying philosophy, goals and instruments (taken together, the institutional transformation) were either non-existent or pointed in the opposite direction. This refutes the reverse causation hypothesis.

Furthermore, if it was not the governor and board of the independent central bank which initiated this mission creep, a new proposition would have to fill the void in the causal logic. This leads us to the second task of eliminating alternative explanations based on theoretical underpinnings other than institutional entrepreneurship. First, the idea that government change led to the institutional transformation of the MNB cannot account for the fact that it took three years after the prior change in government for these changes to take place. Due to the bank's institutional independence (safeguarded by the ECB) and the six-year mandate of its governor, an electoral sea change cannot automatically be translated into a policy switch at the central bank.

The incoming government of Viktor Orbán appointed loyal external members in 2011 who, in turn, initiated the rate-reduction programme. However, this programme was manufactured by Matolcsy from the outside, as is evident from interviews with both Matolcsy and Karvalits, and press reports describing how the members waited for instructions over the phone during policy committee meetings.<sup>46</sup> The essence of the policy package was not under consideration by the previous leadership or by these external members: the abandonment of the previous policy paradigm started in 2013.

This is not to say that there is no place or function in our analysis for political forces. While the intellectual origins of the MNB's mission creep and policy switch are clear in Matolcsy's economic thinking, all his voluntarism and high-minded strategies would have amounted to less than a complete policy overhaul if two enabling conditions (one expected, the other less so) had not been present. The first of these is the almost unconditional support of Prime Minister Viktor Orbán for his erstwhile advisor and minister. This support manifested in his nomination of Matolcsy for a job for which his background did not predestine him (he had no prior

monetary policy experience, theoretical or practical). It was also clear in Orbán's continued encouragement for the ideational programme and policy changes that Matolcsy represented.

The second, somewhat unexpected, enabling condition was the institutional independence of the MNB. Even as Matolcsy pursued a markedly different policy paradigm from that of the ECB, the independence (or, more bluntly, the organizational capacity and goodwill) of the MNB was bolstered by its own revenues (fines, operating profits, etc.) and policy discretion enshrined in supranational law. This is also related to another alternative hypothesis: policy transfer. While policy transfers and learning did play a role in shaping monetary policy after 2013 (as in the case of the Bank of England's Funding for Lending programme), they cannot account for most elements of the institutional transformation described above. Most of these policies were tailor-made for domestic policy problems and strategies (subpar financial regulation; raising the domestic ownership share of banks; boosting CSR activities) and were considered to fall outside the mission of "normal" central banking by previous governors.

#### 4.4 *Summary: The Transformation of the MNB and the Institutional Work of Matolcsy*

In the preceding sections, we established causality by following the requirements of the smoking gun variant of process tracing. Our interviews and documentary analysis confirmed both the proposition regarding institutional transformation and the hypothesis of institutional entrepreneurship. In the final step of our analysis we provide a summary of our results from the perspective of institutional work. In our interview, Matolcsy was open about his own role in institutional transformation:

[Around] 70 to 80% of our programme leading to this radical monetary policy and regulatory policy switch was ready [by the time they arrived at the MNB in 2013]. We brought all this with us [from the Ministry for the National Economy]. This was the character of the new monetary policy [...] you have to be in harmony with the new developments of global central banking. Well, we were in possession of this character when we came here. We found allies, experts and 70 to 80% of our programme was ready.

However, it is important to emphasize that the impact of institutional entrepreneurship has a relevance beyond policy changes in various

domains. In line with the terminology of Lawrence and Suddaby (2006, p. 221), Matolcsy was both a disruptor of the old and the creator of a new institution out of the MNB. This is well reflected in the nine aspects of his institutional work presented in Table 10.1.

As shown by the above interview excerpt, Matolcsy was resolute in his efforts to create a network of allies and experts who supported his cause. This advocacy was helped by creating boundaries for what was then state-of-the-art central banking. He demoted and then let go of the vice-presidents who were closely associated with conservative central banking and he cultivated a new crop of outsider experts. Vesting was also a primary method in creating a new power base and normative networks: the six new foundations of the MNB enjoyed considerable formal autonomy and resources (in the form, *inter alia*, of property rights) while control was maintained through loyal boards. These institutions and the various public events organized by them served the construction of new identities and the changing of normative associations in the public regarding the purpose of modern central banking.

In a classic case of institutional mimicry, Matolcsy launched the Funding for Growth programme by using Funding for Lending as a blueprint. His theorizing, however, put it in the context of a rebalancing of monetary policy towards growth. Similarly, his theorizing played a key role in establishing domestic ownership of banks as a “cause” leading to the “effect” of domestic financial stability. The initiatives in the field of education contributed to the recruitment of students who were familiar with the basic tenets of Matolcsy’s thinking, whose loyalty would be reinforced by larger than usual grants and who may, therefore, be suitable for jobs in the

**Table 10.1** The institutional work of Matolcsy

<i>Aspect of institutional work</i>	<i>Examples from case analysis</i>
Advocacy	Foundations (Domain 6)
Defining	All domains
Vesting	Foundations (Domains 5 and 6)
Constructing identities	Foundations (Domain 6)
Changing normative associations	Foundations (Domain 6)
Constructing normative networks	Foundations (Domain 6)
Mimicry	Funding for growth (Domain 4)
Theorizing	All domains
Educating	Foundations (Domain 6)



reformed central bank. We wrap up our analysis by noting the differences between policy studies and institutional analysis as they are apparent from our case study. While the policy changes initiated by Matolcsy were substantial in and of their own right, most of the criticism of the ex-governors was aimed at Matolcsy's non-traditional thinking regarding the mission of the central bank and monetary policy styles.

## 5 CONCLUSION

The qualitative case study presented in this chapter examines the proposition that the large-scale institutional changes in central banking in Hungary were caused by the institutional entrepreneurship of György Matolcsy as governor of the central bank from 2013. Our process tracing disproves alternative explanations, such as electoral change and policy transfer, and confirms our hypothesis—that institutional entrepreneurship and its political support serve as sufficient conditions for the mission creep of the MNB and also as necessary conditions for its actual policy content. We have shown how the various aspects of the institutional work undertaken by Matolcsy led to the mission creep of the MNB. We have also highlighted the role of the political backing of the right-wing Fidesz Party government and Prime Minister Viktor Orbán in this process.

This result is in line with both the narrative of the protagonists themselves and the evaluation of the events by independent sources. Matolcsy famously declared his policies “unorthodox”<sup>47</sup> and announced that his policy switch (first started as Minister for the Economy) was a “fairy tale”<sup>48</sup> and that “there is a Hungarian model—and it works”.<sup>49</sup> Business papers and websites instantly perceived a “Matolcsy impact” on MNB policies,<sup>50</sup> and leading financial bloggers talked of a “paradigm shift”.<sup>51</sup> This notion of a policy switch was so widespread that the term “matolcsyzmus” (“Matolcsynomics”, as in “Reaganomics”) became a staple of public debates.<sup>52</sup> Our interviews with ex-governors supported both the notion of large-scale mission creep and the role of Matolcsy in bringing it about.

Our analysis of the developments in the Matolcsy period of the MNB is the first of its kind. It is also the first study to use elite interviews with all leadership configurations of the MNB since 1990. This allowed evaluation of the mission creep between 2013 and 2015 against almost a quarter of a century of monetary policy practice in Hungary. Finally, the chapter contributes to the literature on institutional entrepreneurship by applying it to a hitherto unexamined environment (Hungarian central banking) and by

shedding light on the impact leadership personalities can exert on well-established and stable institutions.

We conclude our analysis by considering its relevance for the political economy of central banking in Central and Eastern Europe. Two points merit further discussion in this respect: the normative evaluation of the policy outcomes of institutional entrepreneurship in general, and the potential impact of institutional entrepreneurs on mainstream central banking in particular. First, it is important to emphasize that our analysis is not fit to serve as a tool of normative evaluation for policy processes. In this respect, and if our analysis is correct, we can only confirm that governor Matolcsy was indeed a difference-maker in the period of Hungarian central banking history in question. This is important to note, as public and academic debates surrounding this period—as well as our interview participants—focused on these normative aspects of the transformation of the MNB's mission.

Second, our case of the institutional entrepreneurship of György Matolcsy sheds new light on existing arguments regarding the functionality of mainstream (conservative-neoliberal) central banking after the great financial crisis of 2008. Our analysis points towards the conclusion that the independence of central banks is a double-edged sword from the perspective of mainstream central banking. While it detaches monetary policy from the time-inconsistencies of elected politicians, as an inadvertent consequence, it may also create room for manoeuvre (with the help of its resources and prestige) in other policy domains—but this time without the theoretical and empirical underpinnings of independent central banking. As ordinary citizens and the media have generally been discouraged from criticizing non-majoritarian institutions, the accumulated goodwill of central banks may serve to disguise their mission creep and activity beyond the traditional confines of central banking.

## NOTES

Note: All links were downloaded on 28 April 2017. Article titles are presented in English translation.

1. For an application of the idea of mission creep to the World Bank see: Jessica Einhorn—The World Bank's mission creep. *Foreign Affairs*, September/October 2001. <https://www.foreignaffairs.org/articles/2001-09-01/world-banks-mission-creep>

2. “MNB will be more efficient”, MNB Press Releases, 7 March 2013. <https://www.mnb.hu/sajtoszoba/sajtokozlemenyek/2013-evi-sajtokozlemenyek/hatekonyabb-lesz-a-magyar-nemzeti-bank>
3. “Financial Stability Council”, MNB website. <https://www.mnb.hu/penzugyi-stabilitas/penzugyi-stabilitasi-tanacs>
4. For further information on these sources see the CV of György Matolcsy on the MNB website. <https://www.mnb.hu/en/the-central-bank/management-and-control-of-the-mnb/management-of-mnb/curriculum-vitae-of-gyorgy-matolcsy>
5. See “Banking supervision” on the EU website. <https://www.bankingsupervision.europa.eu/about/thessm/html/index.en.html>
6. “MNB-PSZÁF integration is a good move”. index.hu, 5 August 2013. [http://index.hu/gazdasag/2013/08/05/jo\\_huzas\\_az\\_mnb-pszaf\\_osszevonasa/](http://index.hu/gazdasag/2013/08/05/jo_huzas_az_mnb-pszaf_osszevonasa/)
7. “ECB criticism with respect to the MNB-PSZÁF merger”, vg.hu, 10 October 2013. <http://www.vg.hu/gazdasag/gazdasagpolitika/itt-az-ekb-biralata-az-mnb-es-a-pszaf-osszevonasa-miatt-413528>
8. At the end of the process, the MNB was not only responsible for regulation and supervision but was also involved in the provision of commercial financial infrastructure in the form of the acquisition of one of the most important domestic interbank clearing systems (GIRO Zrt., in April 2014) and the Budapest Stock Exchange (BÉT, in November 2015). An incorporation of the Government Debt Management Agency was also reportedly on the table. These three purchases constituted an even more straightforward case of MNB mission creep than the merger of financial supervisory, regulatory and resolution functions with monetary policy functions.
9. The steps towards reaching this policy aim were structured into a sequence of three phases. The first started in the summer of 2014 and included the introduction of a new interest rate swap instrument that was supposed to gradually take the place of the benchmark two-week repo instrument. In the second phase (in September 2015), the benchmark rate was changed to that of the three-month repo instead of the two-week instrument and the interest rate corridor was modified in order to push the overnight interest rate closer to negative (thus creating a disincentive *vis-à-vis* HUF-denominated government bonds—negative overnight interest rates were eventually achieved in March 2016). By April 2016, in the third phase, the two-week instrument was scrapped altogether, which created an estimated surplus demand of HUF 400–800 billion for government bonds. The result of this self-financing policy increased demand for liquid HUF-denominated government bonds as the premier alternative to losing money on overnight deposits or reserve accounts. This lowered yields for long-term bonds and led to even looser monetary conditions for the real econ-

- omy. As MNB strategists intended, it also lowered the ratio of foreign exchange-denominated bonds in total foreign government debt with the aim of restricting it to a historic low of 24% by 2017–2018. See, *inter alia*, the MNB report: “Half-time Report of the MNB: 2013–2016”, p. 24. <https://www.mnb.hu/letoltes/felidos-jelentes-2013-2016-hun-0303.pdf>
10. “The Magyar Nemzeti Bank’s self-financing programme”, MNB website. <http://www.mnb.hu/letoltes/the-magyar-nemzeti-bank-s-self-financing-programprogrammeme-april-2014-march-2015.pdf>
  11. “50% of banking system should be in Hungarian hands, says PM”, [bbj.hu](http://bbj.hu), 17 July 2012. [http://bbj.hu/business/50-of-banking-system-should-be-in-hungarian-hands-says-pm\\_63670](http://bbj.hu/business/50-of-banking-system-should-be-in-hungarian-hands-says-pm_63670)
  12. “Hungary’s Orban sees two-thirds of banks in domestic hands”, [reuters.com](http://www.reuters.com), 14 November 2014. <http://www.reuters.com/article/hungary-banks-idUSL6N0T41RF20141114>
  13. “The savings and loans reintegration passed in parliament”, [origo.hu](http://www.origo.hu), 27 June 2013. <http://www.origo.hu/gazdasag/20130627-megszavaztak-a-takarekszovetkezeti-atalakitas-torvenyet.html>
  14. “It’s signed: Budapest Bank is purchased by the government”, [portfolio.hu](http://www.portfolio.hu), 13 February 2015. [http://www.portfolio.hu/finanszirozas/bankok/alairtak\\_az\\_allame\\_a\\_budapest\\_bank.210208.html](http://www.portfolio.hu/finanszirozas/bankok/alairtak_az_allame_a_budapest_bank.210208.html)
  15. “MKB at its best: here’s how to present a loss of HUF 146 billion”, [portfolio.hu](http://www.portfolio.hu), 1 April 2015. [http://www.portfolio.hu/finanszirozas/bankok/sziporkazik\\_az\\_mkb\\_igy\\_kell\\_kozolni\\_egy\\_148\\_milliardos\\_bukot.212134.html](http://www.portfolio.hu/finanszirozas/bankok/sziporkazik_az_mkb_igy_kell_kozolni_egy_148_milliardos_bukot.212134.html)
  16. “Stinking smell around the privatization of MKB”, [index.hu](http://index.hu), 8 January 2015. [http://index.hu/gazdasag/bankesbiztositas/2015/01/08/nagyon\\_buzlik\\_az\\_mkb\\_allamositasa/](http://index.hu/gazdasag/bankesbiztositas/2015/01/08/nagyon_buzlik_az_mkb_allamositasa/)
  17. “Are you a customer of MKB? The government is taking over your bank”, [azenzem.hu](http://www.azenzem.hu), 24 July 2014. <http://www.azenzem.hu/cikkek/az-mkb-ugyfele-vagy-viszi-az-allam-a-bankod/1966/>
  18. “MKB-privatization: These are the would-be buyers”, [napi.hu](http://www.napi.hu), 30 March 2016. [http://www.napi.hu/magyar\\_vallalatok/mkb-privatizacio\\_ok\\_vinnek\\_a\\_bankot.612379.html](http://www.napi.hu/magyar_vallalatok/mkb-privatizacio_ok_vinnek_a_bankot.612379.html)
  19. “It’s signed: Budapest Bank is purchased by the government”, [portfolio.hu](http://www.portfolio.hu), 13 February 2015. [http://www.portfolio.hu/finanszirozas/bankok/alairtak\\_az\\_allame\\_a\\_budapest\\_bank.210208.html](http://www.portfolio.hu/finanszirozas/bankok/alairtak_az_allame_a_budapest_bank.210208.html)
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