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Organizational Identities and Institutions:
The Influence of Multilevel Path Dependence on Organizational Change and Stability.

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1. Introduction and Research Problem

In this paper a concept of organizational change in an institutional environment is developed that addresses its mechanisms and processes on the organizational level. The paper also aims to show how institutional and organizational path dependencies interact. The concept of organizational identity is considered to be central in solving the raised research problems of combining the effects of an institutional environment with the continuity of central organizational characteristics. Organizational identity is a mechanism that mediates between external pressures and internal demands of continuity.

A substantial body of literature more or less explicitly deals with the interplay of organizations and institutional environments. One central hypothesis of several key approaches is that institutional arrangements give rise to specific organizational forms and practices that are maintained within an institutionally bound environment. The effects of an institutional framework of organizational capabilities and (innovation) competences leads to the prevalence of distinct organizational types in a given institutional framework (Whitley 2007). The institutional conditioning of organizational forms and management practices becomes especially visible when activities and local organizational structures of multi national corporations are compared (Morgan/ Kristensen 2006; Geppert/ Mayer 2006; Tempel/ Walgenbach 2007). This argument also applies to the Varieties of Capitalism debate, since a particular framework fosters the development of corresponding organizational structures that draw on institutional comparative advantages in international competition (Hall/ Soskice 2001; Jackson/ Deeg 2008). One example is the specialization in the production of custom-made, high skill, high quality products and their long term incremental improvement (see Streeck 1991) in so called coordinated market economies. Yet so fare the role of organizational change under institutional conditions has remained rather peripheral to the ongoing debates. Similarly the interaction between change on the organizational level and institutional persistence has been explored less thoroughly.

The key research problem of this paper is the question about the possibilities and circumstance for organizational change and stability in an institutional environment. Taking into account the variety of organizational aspects and dimensions the argument has to be limited. The paper will only focus on implications for change and stability of core aspects of an organization. Concerning the question of this paper the existing literature provides two plausible yet (seemingly) contradicting research positions: While the path dependence and similar concepts stress the resistance of organizations to change even in the face of an continuously changing environment, for neo-institutional approaches organizational change and stability is seen as a result of matching institutional standards thus rendering organizational change as a reflection of institutional change. Both concepts have proven their empirical relevance and merits in describing and explaining patterns of organizational change and stability. A solution to the outlined research problem is proposed by introducing the concept of organizational identity. Organizational identity describes what is core to organization and how change and stability is

possible in relation to existing organizational structures and environmental influences. All three approaches share central aspects, as all of them deal with change and persistence of central organizational aspects in connection to external influences and internal structural configurations. Although possibilities for connections are often implied a consistent concept to link organizational identity with path dependence and neo-institutionalist research has not been put forward yet.

The paper is structured as follows: (2.) Concepts of neo-institutionalism and path dependence are introduced and it is discussed how persistence and change of core aspects of organizations are dealt with. (3.1) The organizational identity approach is introduced and discussed. In the following sections of the text organizational identity is (3.2) related to neo-institutional concepts and linked to (3.3) the path dependence approach. This is followed by (4.) a discussion of the implications for a multi-level model of organizational change and the effects for organizational practices.

2. Organizational Change, Neo-Institutionalism and Path Dependence

Addressing questions of organizational change and stability, the existing literature provides two plausible yet (seemingly) contradicting research positions. One strain of literature, the neo-institutionalist position, claims that change and stability of organizations is fundamentally bound to the characteristics of the institutional environment of an organization. While striving for legitimacy, organizational structure appears easily malleable in the face of changing institutionalized expectations. Friction arises when an organization is not willing to comply with common standards. Another strain of literature argues that organizations are highly resistant to change in certain characteristics. This leads to the assumption of a rather common hyper-stability of organizational structures in turbulent environments. Stability and change are seen here as results of organizational properties and existing structures, which considerably limit the scope of organizational change taking place. Recently, this idea has been further developed and studied employing the path dependence approach to organizations. The following section is concerned with how these different approaches deal with the stability and change of core characteristics of an organization.

2.1. Neo-Institutionalism: Facing Institutional Pressures

The key assumption of neo-institutionalist approaches is that organizations adapt to legitimating pressures that derive from external, institutionalized expectations (Meyer/ Rowan 1977; DiMaggio/ Powell 1983). Institutionalized expectations can be considered an institution (Berger/ Luckmann 1980; see also Scott 2001; Djelic/ Quack 2003) if they constitute legitimate and collective expectations of meaning (cognitive) and appropriate behavior (normative) of acts and types of actors in a given relevant social group of actors (individuals as well as organizations). For organizations, this relevant social group has been termed as an organizational field (DiMaggio/ Powell 1983; Fligstein 1991). Matching organizational structures with institutions may not so much enhance the technical efficiency as make "… it easier for organizations to transact with other organizations, to attract career-minded staff, to be acknowledged as legitimate and reputable, and to fit into administrative categories that define eligibility for public and private grants and contracts." (DiMaggio/ Powell 1983: 153).

In response to the accusation of using an over-socialized conception of organizations, the existence of certain strategic alternatives has been stressed (Oliver 1991; Greenwood/ Hinings 1988; Scott 2001; Zald et al. 2005). Organizations are not "institutional dopes" (DiMaggio/ Powell 1991) in the sense that they are not at the mercy of institutions. Rather it has to be acknowledged that any kind of institutional pressure situation allows for some degree of strategic freedom. One key argument states that organizations facing pressure may protect core processes by buffering or decoupling (Thompson 1967; Meyer/ Rowan 1977). The long term ability for decoupling of core aspects however is questionable (Scott 2001). Having raised this question, the following simple formula still applies to the main-

stream of institutional analysis of organizations: if the institution changes, the organization will change accordingly to match institutionalized expectations. This line of argumentation becomes especially apparent when dealing with examples of successful institutionalization. In regard to organizations, institutionalization equals a common diffusion of "organizational templates" (DiMaggio/ Powell 1983) in a given organizational field. Such templates can be described more precisely as simplified, de-contextualized organizational models that provide standardized recipes for behavior and the meaning of organizational structures and practices (see Strang/ Meyer 1993). Institutionalization is thus achieved when an adoption of an organizational model by a large number of individual organizations in an organizational field has taken place.

In empirical reality, institutions are represented by many different patterns (see Berger/ Luckmann 1980). So far no systematic differentiation has been made between various forms of organizational templates or models. According to the content of the institutionalized expectations, a distinction can be drawn between models that relate to certain practices as (i) *models of organizing* and models that relate to the organization as a whole as (ii) *models of the organization*:

(i) *Models of organizing* describe institutionalized organizational practices. These forms of institutionalized expectations can be understood as institutionalized "building blocks for organizations" that can be incorporated by organizations (Meyer/ Rowan 1977). A large share of neo-institutional research has studied such practices - e.g. management and organizational practices such as Total Quality Management, group work, employee-stock-ownership programs or the introduction of the ISO 9000 Norm (Cole 1985; Abrahamson 1996; Zbaracki 1998; Abrahamson/ Fairchild 1999; Delmestri 1998; Dirsmith et al. 2000, Beck/ Walgenbach 2003; Walgenbach 1998, 2000).

(ii) *Models of the organization*, in contrast, are not restricted to practices as such but describe an organization as a whole and define this entity as being of a certain general type. Models of the organization define certain core elements and processes of an organization in normative and cognitive terms as well as their configuration and connections. Models of the organization roughly correspond to what is commonly referred to as organizational form in the existing literature (see Hannan/ Freeman 1993: 79; Baron 2004). Yet an organizational form often serves as a classification term rather than a description of internal coherence to a model. Nonetheless, examples of the of (de-) institutionalization of organizational forms as models of the organization are: the decline and fall of the conglomerate firm in the 1980s (Davis et al. 1994), the adoption and abandonment matrix form (Burns/ Wholey 1993) and the diffusion of the multidivisional form (Fligstein 1991). Following the implications of research on organizational forms, Greenwood and Hinings (1988, 1993, 1996) developed the concept of organizational archetypes. "An organizational archetype … is a particular composition of ideas and beliefs and values connected with structural and system attributes" (Greenwood/ Hinings 1988: 19). The concept of organizational archetypes states that what can be observed as an organizational form is the result of an underlying interpretative scheme. The interpretative scheme describes the organization as an entity and ascribes certain characteristics to it so that the set of selected organizational structures can be

seen as the unity of different parts. Another concept that describes what has here been framed as models of the organization can be found in the term “conception of control” (Fligstein 1996, 2001). This term goes beyond the assumptions of organizational forms and archetypes in the sense that a conception of control not only characterizes the organizational structures but the perception and processing of the environment as well. The term is used to describe how organizations cope with markets as institutional environments: “Conceptions of control refer to understandings that structure perceptions of how a market works and that allow actors to interpret their world and act to control situations. A conception of control is simultaneously a worldview that allows actors to interpret the actions of others and a reflection of how the market is structured. Conceptions of control reflect market specific agreements between actors in firms on principles of internal organization (i.e., forms of hierarchy), tactics for competition or cooperation, and the hierarchy or status ordering of firms in a given market.” (Fligstein 2001: 35). A conception of control is a broad model of the organization as a whole including general recipes for internal and external relations. The implications of the mentioned approaches that describe models of the organization as certain types of organizations can be summarized as follows. As institutions, these models are socially derived and portray collectively shared expectations about being, meaning and activities of the organization as a whole. As this text is limited only to core characteristics of the organization, all institutions that cannot be considered models of the organization are left aside, for the moment.

Returning to the research question about organizational change in an institutional environment, the implications for this paper be can summarized. As models of the organization, institutions diffuse throughout an organizational field and shape core characteristics of the individual organizations. Although some degree of freedom exists eventually in the long run (see Scott 2001), organizational change and stability is a question of the match or mismatch of organizational structures and institutionalized expectations. Organizations will adapt to legitimate models when significant pressure is perceived and exerted by the expectations of relevant actors in the organizational field.

2.2. Path Dependence: Dealing with Organizational Persistence

Before the term organizational path dependence was introduced other concepts of organizational stability and change had been developed to explain organizational persistence. Based on several empirical results, Stinchcombe (1965: 155) argued that certain structural characteristics of different organizational types remain surprisingly stable over time, leading to the assumption of a significant “power of persistence of organizational forms”. Conditions of earlier development periods are imprinted on central organizational traits and structures. In an organizational ecology perspective Hannan and Freeman (1977; 1984; 1993) handled the observation of organizational persistence by introducing the term structural inertia. Structural inertia is caused by forces hindering strategies and structures of an organization that define organizational forms from changing. Structural inertia, as the source of endurance of certain structural properties, constitutes a necessary condition for the ability to define a population of organizations and to assign an indi-

vidual organization to a population. These forces inhibiting the change of organization form derive from within and without the organization.[1] In regard to the wide range of organizational structures and practices, a hierarchy of inertial forces can be assumed in the sense that core parts of the organization are more difficult to modify than peripheral parts (Hannan/ Freeman 1993: 79; see Baron 2004: 25). In this view stability due to inertial forces is key for organizational performance and survival as it enables the organization to generate internal continuity and in turn to acquire a necessary reputation of reliability and accountability. As a consequence of structural inertia organizations can change and adopt, yet this change is bound to certain trajectories: "Although organizations might subsequently change as the challenges and opportunities change, initial conditions limit the scope of subsequent changes. This view builds on the assumption of strong hysteresis or path dependence in organizational change." (Hannan et al. 1996: 504)

The findings of Stinchcombe (1965) and the concept of structural inertia led to the idea of organizational path dependence. The path dependence concept has been applied to organizations in order to describe the mechanisms of organizational stability and change and to develop a coherent and empirically sound concept (see Schreyögg et al. 2003; Sydow et al. 2005; also Beyer 2006). Building on the early foundations of the path dependence approach dealing with technological standards (David 1985; Arthur 1989), a variety of different studies of organizational path dependence have been conducted. This includes organizational path dependence concerning structures, knowledge, processes and strategies as well as the usage of technologies (see: Kogut/ Zander 1992; David 1994; Helfat 1994; Coombs/ Hull 1998; Burgelman 2002; Karim/ Mitchell 2000; Koch 2008; Dobusch 2008). The applications of the organizational path dependence approach vary substantially in the terms used, in the organizational levels and dimensions described, as well as in the references to self-reinforcing mechanisms. However, by treating competences and dynamic capabilities[2] of an organization as sources and subjects of organizational path dependence (Teece et al. 1997; see Leonard-Barton 1992), one comprehensive approach has been put forward, able to deal with organizational path dependence in its various empirical dimensions. Competences are understood as practices that constitute organizational routines and processes enabling a firm to assemble firm-specific assets in order to perform distinctive practices (Teece et al. 1997: 516). This approach to organizational path dependence allows the integration of the different studies dealing with structures, knowledge, processes, strategies and technologies by interpreting all these different properties, aspects and dimensions as competences or particular configura-

[1] (a) Internally e.g. from sunk costs, information constraints, the micro-political status quo, as well as from central organizational norms of conduct. (b) Externally e.g. from market entry and exit barriers, from information about the environment, as well as form the legitimating environment.

[2] For the sake of clarity of my argument I will only concentrate on competences rather than on dynamic capabilities, very well knowing that capabilities too can be "core" (Leonard-Barton 1992) and are similarly sources and subjects of path dependence. Dynamic capabilities describe "…the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." (Teece et al. 1997: 516) In this sense dynamic capabilities can be understood here as competences to change other competences.

tions of competences in an organization. In regard to the variety of different levels, aspects and dimensions of organizations this paper will only focus on core competences of the organization, which can be distinguished from other competences as follows: “We define those competences that define a firm’s fundamental business as core. Core competences must accordingly be derived by looking across a range of a firm’s (and its competitors) products and services.” (Teece et al. 1997: 516; see also Prahalad/ Hamel 1990). It is important here to emphasize that core competences are defined in reference to the firm itself and in reference to other (relevant) firms. Most of the research mentioned above more or less explicitly deals with core aspects of organizations or at least practices that relate to these core aspects or competences.

Accordingly, path dependence in this paper is understood as follows: “At any given point in time, firms must follow a certain trajectory or path of competence development. This path not only defines what choices are open to the firm today, but it also puts bounds around what its internal repertoire is likely to be in the future. Thus, firms, at various points in time, make long-term, quasi-irreversible commitments to certain domains of competence.” (Teece et al. 1997: 515, see Nooteboom 1997; David 2007). Certain decisions made and structures introduced in the past generate a specific set of competences, which systematically forecloses certain decisions and structures in the present and in the future. In contrast to past dependence and to structural inertia, whereby decisions and structures inherited from the past merely influence later decisions and structures, the state of path dependence has to comprise a systematic effect that prevents the organization from realizing an alternative to routines and processes in question. The systematic effect has to be generated by mechanisms of reproduction that may (see Arthur 1989, 1990, 1994; Sydow et al. 2005) or may not (see Arrow 2000, 2003; David 2007) entail self-reinforcing dynamics of increasing returns. Several mechanisms of reproduction have been named (Beyer 2005, 2006; see also Kirchner 2008). In the early debate, reproduction mechanisms were identified as being rooted in investment effects, learning or experience effects, and complementarities (Arthur 1989; David 1985). With the application of path dependence to institutions and organizations, mechanisms of power and legitimacy completed the picture (Thelen 1999, 2003; Pierson 2000; Mahoney 2000; Schreyögg et al. 2003; Sydow et al. 2005; Djelic/ Quack 2007). In a state of path dependence, change of organizational core competences is difficult due to the systematic effects of these reproduction mechanisms. Organizational change, as the realization of an alternative to an existing solution, is hampered, allowing change of core competences to occur only incrementally, if at all.

While dealing with organizational change in an institutional environment by employing the path dependence concept, it is important to emphasize that both internal and external relations are being considered (see Teece et al. 1997). (Core) competences enable the firm to manage internal coordination, e.g. routines, structures, processes, as well as to master external relations, e.g. markets, institutions, technologies. Due to the fact that institutions (being external to an organization) put constraints on organizational activities, the attempt to match the constraints with the development of certain (core) competences may lead to specific organ-

izational path dependencies.[3] Even in dramatically changing institutional environments, organizations remain stable in their core characteristics, which may have matched early institutional constraints. Yet these organizations fail to successfully adapt to the current institutional landscape. This inability to change core characteristics of an organization is a result of organizational path dependence.

Having introduced and discussed path dependence and neo-institutionalist research, it still remains difficult to address the question of organizational stability and change in a straightforward manner. As shown above, in both approaches core characteristics of the organization are affected by external forces. However, the conclusions drawn are very different, in that change is bound in one case more to internal forces and in the other case to external forces. While path dependence emphasizes the effects of organizational structures and processes, neo-institutionalist approaches concentrate on environmental pressures. This however calls for another perspective that is able to reveal the mechanisms on the organizational level and that allows for the description of the meshing of internal demands of continuity and external pressures.

[3] Some attention has already been paid to the connection of organizational path dependence and institutional pressures - e.g. the persistence of industry models as strategies and production structures (Koch 2008; Schüßler 2009).

3. Organizational Identity: Institutions and Path Dependence

In the attempt to relate the effects of external pressures and the continuity of central organizational structures to each other, the organizational identity concept offers a mediating position that sheds light on the organizational processes involved. In the following section three questions are dealt with: (3.1) What is organizational identity? (3.2) How is organizational identity related to institutional pressures? (3.3) How can organizational identity contribute to an explanation of organizational persistence or path dependence? By introducing organizational identity, positions of path dependence and neo-institutionalism can be related and connected to the findings and concepts of organizational identity research.

3.1. Introducing Organizational Identity

Organizational identity is the answer of organizational members to the question: "Who are we as an organization?" (Albert/ Whetten [1985] 2004; Whetten 2006). Organizational identity becomes observable when members describe the organization in the form of identity claims, which must have the characteristic of being central, enduring and distinctive (Albert/ Whetten [1985] 2004; Whetten 2006). Identity claims of organizational members refer to a self-description text of the organization that is collectively shared, remembered and accounts for the organization as an entity (see Luhmann 2000; Seidl 2005). Organizational identity is constructed using two frames of reference (Whetten 2006). In an *historical frame of reference* organizational identity is constructed in a self-referential process whereby current practices are evaluated according to that which is collectively remembered as being earlier characteristics of the organization (central, enduring). Consistency and continuity of organizational identity is tested and if necessary restored. In a *comparative frame of reference* the organizational identity is related to the environment (distinctive). Organizational identity elements are used as referents to distinguish the organization from others and to mark similarities in the sense of being of a certain type of organization. Later in the debate it has been argued that due to an "adaptive instability" organizational identity is not enduring but does display continuity (Gioia et al. 2000). This continuity of organizational identity elements is constructed in a permanent process of remembering and interpreting.

Identity serves as a self-description of the organization as an entity and therefore fulfils an *integrative function* (Seidl 2005: 82): "Organizational self-descriptions represent the organization to the organization. They provide the organization with a sense of unity: on the basis of the self-description the organization can observe its different parts as related to each other. On a very basic level the self-description is to the organization what the body is to the psychic system: it marks the 'location' where the system takes place, it focuses its operations and prevents the organization from 'losing' itself." As a self-description text, organizational identity is a simplified, rather blunt account of the complex organizational processes and structures (Ashforth/ Mael 1996; Whetten 2006). Like a map simplifies a terri-

tory according to significant properties and relations, the organizational identity is an abstract representation of the complexity of the whole organization (Seidl 2005). Like a map, identity provides orientation, which is based on a contingent reduction of complexity. Alongside the integrative function, organizational identity fulfils an *operative function* (Seidl 2005), by first serving as a perceptual lens for practices and decisions (Ashforth/ Mael 1996; Seidl 2005). Based on the organizational identity, structures and events within the organization and the environment are identified as relevant, labeled, interpreted and acted upon accordingly (Fiol/ Huff 1992; Reger et al. 1994; see also Weick 1995). In this respect organizational identity allow practices and decisions to relate themselves or refer to identity, rather then serving as an explicit premise (Seidl 2005). In addition to the function as a perceptual lens, the operative function of organizational identity can be understood as a framing mechanism for organizational activties (Cornelissen et al. 2007). On the one hand, this frame enables the development and realization of decisions and strategic practices (Albert/ Whetten [1985] 2004; Dutton/ Dukerich 1991; Barney/ Stewart 2000). On the other hand, organizational identity as a frame defines what is "in-character" and what is not (Whetten 2006). Identity provides a general guideline for organizational practices and decisions, allowing for the observation of non-conformity and for deviations to be countered (see Luhmann 2000). In this later understanding as a frame, organizational identity serves as a universal premise for organizational decisions and practices (see March/ Simon 1976; Luhmann 2000).

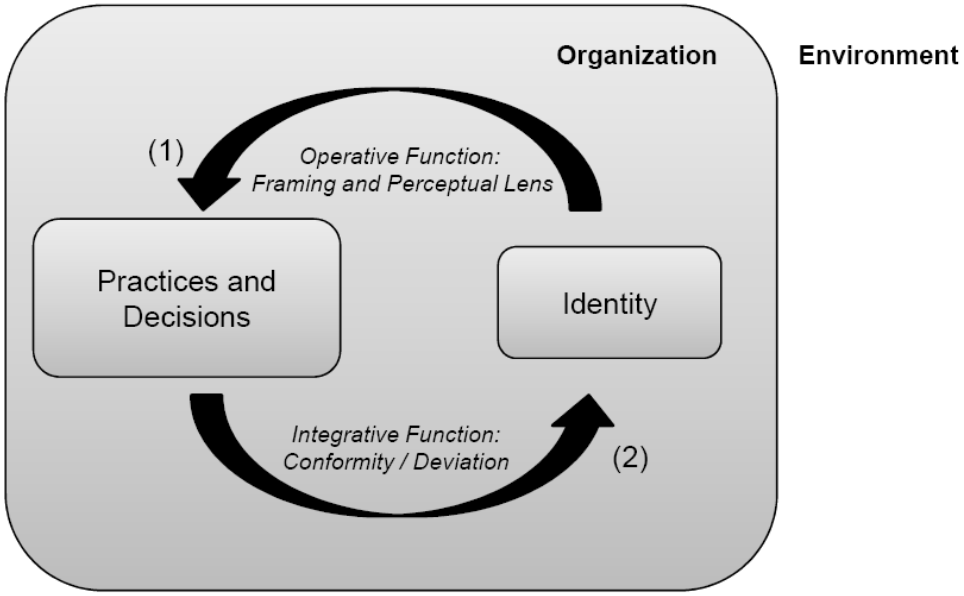
Most practices and decisions in an organization are not directly related to organizational identity (Seidl 2005; Whetten 2006). So what are the effects of identity for everyday practices and decisions? The integrative and operative functions of identity allow particular practices and decisions to relate to the organization as a whole (see also Ashforth/ Mael 1996; Stimpert et al. 1998; Barney et al. 1998; Corley 2004).[4] By referring to identity elements the conduct of practices and decisions can be ensured. According to David Seidl (2005: 85 f.), it can be argued that the basis for the viability of identity elements is the matching of practices and decisions with organizational identity elements. The association between practices and identity as a description of practices underlying the identity viability is circular and can trigger a feedback effect. In Figure 1 this relation is depicted. Arrow 1 describes the operative function. Organizational identity is used as a frame and a perceptual lens that give orientation for organizational practices and decisions. Arrow 2 describes the integrative function. Organizational practices conform or deviate from the description of the organization as an entity. The potential viability feedback effect of an identity element develops as follows: By providing a frame and/or a perceptual lens, an element of organizational identity gives rise to practices and decisions that relate to the identity element (Arrow 1). Practices that relate to an identity element confirm this element in its function of providing an integration of the different parts and activities (Arrow 2). In turn, being confirmed in its

[4] However practices, routines and strategies can embody and symbolize identity (see Ashforth/ Mael 1996; Ravasi/ Schultz 2006: 105), potentially therefore the reference to certain strategy, routine or practice can become a key element of an organizational identity.

integrative function, the element becomes more attractive as a frame and lens for other activities, so that more practices and decisions relate to the identity element. This again further confirms the integrative function … and so on.

Accounting for the unity of different parts, identity is the basis for the coordination of the variety of complex activities in an organization. Viability is threatened if identity and e.g. a particular practice conflict (Seidl 2005: 86-7). A non-conform, deviating practice can fundamentally question a particular identity element because it discredits the ability of the element to properly represent the organization as a whole (see Ashforth/ Mael 1996). In short, identity elements are only viable as long as they fulfill their integrative and operative function by providing orientation for organizational practices and decisions as well as creating a sense of unity within the organization (see Seidl 2005).

Figure 1: Feedback Process (self-reference, historic frame)



3.2. Adaptive Instability and the (Institutional) Environment

How can organizational identity help to understand the way organizations face institutional pressures and cope with them? In the existing literature there has only been a small overlap between neo-institutionalist approaches and the organizational identity concept. On some occasions they have even been treated as opposing positions (Glynn 2008; see Glynn 2000; Glynn/ Abzug 2002; Whetten/ Mackey 2002). In the perspective of organizational identity however, the connection seems rather obvious: “The clear implication of […neo-institutionalist] research seems to be that organizations need to adopt … identities that elicit legitimacy attributions. Yet identity remains an implicit theme in all the new institutional approaches … .” (Brown 2001: 117).

In fact, the influence of a legitimating environment has been a central issue in organizational identity research (Dutton/ Dukerich 1991; Hatch/ Schultz 2002). This problem has been dealt with by describing the relation of identity, image and reputation. The reputation of an organization accounts for descriptions of the organization as a whole that are generated by external observers (Fombrun 1996; Whetten/ Mackey 2002). External observations and descriptions are not directly accessible for the organization. As an internal representation of reputation, the image describes the organizational believes about how external observers describe the organization (see Dutton/ Dukerich 1991; Dutton et al. 1994; Gioia et al. 2000; Hatch/ Schultz 2002; Seidl 2005).

The connection to institutional pressures in the environment derives from two properties of the organizational identity: the comparative frame of reference (Whetten 2006) and the adaptive instability of organizational identity (Gioia et al. 2000). On the one hand the construction of organizational identity is always a process that relates to the environment because the distinctive nature of identity claims has to relate to constructs outside the organization to mark similarity or difference: “We must do X because it is consistent with what’s expected of X-type organizations, like us” (Whetten 2006: 223). On the other hand the organizational identity is adaptively instable (see Gioia et al. 2000: 65): “… identity must be actively created and sustained through interactions with others.” (Gioia et al. 2000: 65). This process of constructing continuity is always potentially prone to be confused by outsider appraisals (see Dutton/ Dukerich 1991; Dutton et al. 1994; Ashforth/ Mael 1996). The organization has to face its reputation (or image) within the social context and “… as a consequence of its interrelationships with image … organizational identity becomes dynamic and mutable.” (Gioia et al. 2000: 74). Interlaced with the historic frame of reference, organizational identity is always constructed by a simultaneous mirroring process, whereby inside and outside descriptions are evaluated in relation to each other. What others believe about the organization becomes crucial in the definition of the organizational self and the ability to maintain identity elements.

Accordingly, institutional pressures can be treated here as a problem of reputation, whereby the condition of exchange with the environment can be understood as a function of reputation (see Thompson 1967): “… the greater the discrepancy between the way an organization views itself and the way outsiders view it […] the more the ‘health’ of the organization will be impaired.” (Albert/ Whetten [1985] 2004: 94). The reputation held by outsiders interacts with their expectations held about reliability, accountability and conformity with general (normative and cognitive) standards. Problems arise out of a mismatch between external conceptions or expectations with the specific realization (or outsider perception) of the organizational identity. This mismatch may cause problems with generating political support or securing the supply of needed resources (see Hatch/ Schultz 2002; Cornelissen et al. 2007: s7). In accordance with the neo-institutionalist approach, it can be concluded that the adoption to external expectations is important to secure survival, as well as that given substantial pressure matching institutional preconceptions about what an organization is or should be and how it should behave

becomes vital in the process of constructing and maintaining organizational identity.

The comparative frame of reference of the organizational identity refers to general types (Whetten 2006) that have been label models of the organization in this text. The implications of the organizational identity approach are close to the concepts of organizational archetypes and conception of control that were introduced above. Usually an organization refers by default to the environment, particularly the institutional environment, to construct and maintain its organizational identity (Haveman/ Rao 1997; Whetten 2006; see Luhmann 2000: 426 f.; Fiol et al. 1998): "Organizations define who they are by creating or invoking classification schemes and locating themselves within them." (Albert/ Whetten [1985] 2004: 92). These classifications encompass organizational classes, forms or types that are socially constructed and that are subjects of a collectively held expectation by a legitimating audience (similar Hsu/ Hannan 2005[5]). A synchronization as form of coupling of organizational identity and institutionalized models takes place, as these models become a part of the organizational identity. Organizations, similar to personal actors, perceive and describe themselves as a certain commonly shared type and are perceived as a certain type by others as well (Sahlin-Andersson 1996; Sevón 1996). Identity is therefore partially embedded in the social context of the organization, e.g. the organizational field (see also Whetten/ Mackey 2002: 397-8; Baron 2004). While being a necessary prerequisite for institutionalization (Berger/ Luckmann 1980), interaction on grounds of reciprocal typifications may serve as a necessary prerequisite for many forms of organizational interactions (see Simmel 1992: 42 f.). Furthermore, the institution provides not only a shared general type and set of legitimate activities. As a mental model it also shapes the organizational perception of the environment (Sahlin-Andersson 1996; Sevón 1996, see above).

The essence of the comparative reference of organizational identity is that identity is subject to a second feedback process. By mirroring, a process is described whereby outsider perceptions of organizational identity are fed back into the organization (see Dutton/ Dukerich 1991; Gioia et al. 2000; Hatch/ Schultz 1997, 2002). Change and stability are related to outsider's perceptions and reactions: "The same environment that fosters shifts in identity in the first place … simultaneously operates to limit the degree of those shifts." (Gioia et al. 2000: 73). Situations of match and mismatch with external preconceptions become crucial.[6] In addition to the integrative and operative function of identity, organizations may have to take into account reputation and according expectations of outsiders. The comparative frame of reference and the adaptive instability of organizational iden-

[5] In organizational ecology research, organizational identity is considered a basis for organizational forms (Baron 2004; Hsu/ Hannan 2005: 481; Haveman/ David 2008: 577). However, in that usage of identity, internal organizational identity and commonly held models are not distinguished from one another. Instead, they are considered one single form of identity, therefore partially deviating from the Albert/ Whetten definition used in this text.

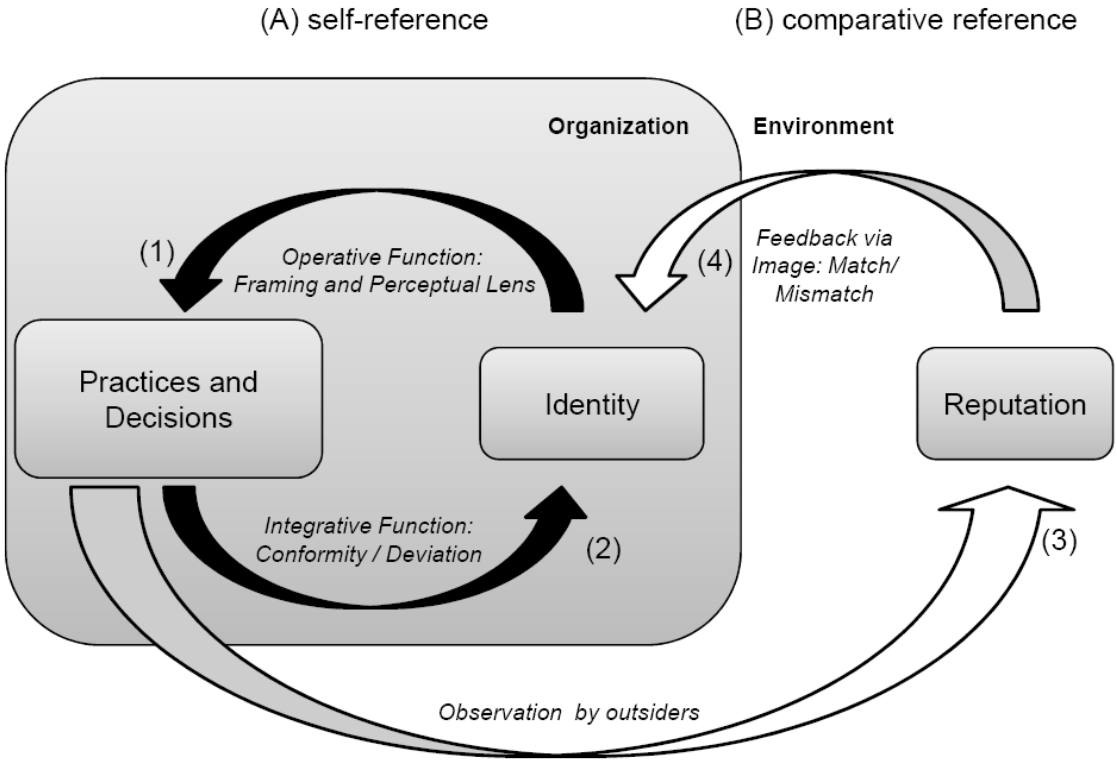
[6] However, organizational traits, such as practices and decisions, have to be observed and described in some way before they can be fed back to the organization. What does not come to the attention of external observers will cause no feedback.

tity lead to the conception of an extended feedback cycle. In Figure 2, the major relations are depicted again. The primary feedback cycle (A) is posed by the self-reference feedback cycle (Arrow 1 and 2; already discussed above). In addition to the primary feedback, the effects of reputation are considered. Accordingly, the secondary feedback cycle (B) is formed by arrow 3, 4 and 1. Arrow 3 shows the observation of organizational practices and decisions by outsiders. These observations are the basis upon which the reputation is formed and upon which this reputation interacts with their expectations held about reliability, accountability and general conformity. Arrow 4 accounts for the reputation of the organization held by outsiders that is fed back into the organization via the organizational image. As the image is internally held against the existing organizational identity, the organization can evaluate the match or mismatch with outsider perceptions and preconceptions. This may lead to amplification of certain elements of the organization identity that in turn (Arrow 1) fulfils its operative function in guiding practices and decisions. Again, organizational practices and decisions are perceived by outsiders (Arrow 3) and fed back into the organization (Arrow 4) … and so on. When an identity element is perceived as matching with the expectations of outsiders so that it generates a positive reputation, this element will become more attractive for practices and decisions to relate to it. Fulfilling outsider expectations will enhance the viability of an identity element. Similar to the primary cycle, a mismatch situation with outsider perceptions can fundamentally question an identity element. As the organization considers and promotes itself to be of a certain kind this self-classification is monitored by outsiders. [7]

However, there is an important difference between the primary and secondary feedback cycles. While the primary feedback works self-sufficiently in principle, the secondary feedback always has to integrate one step of the primary feedback (Arrow 1) to complete the cycle. That means that external descriptions have to become internal in order to provide an integrative function (see Seidl 2005, 2007). They have to be internalized and become genuine property of the organization or the organizational identity, respectively. Only when the primary and secondary cycles run synchronized reputation can substantially affect organizational activities. If the identity element cannot provide its integrative function (Arrow 2), it will not be viable because the primary feedback cycle has to been fulfilled.

[7] In addition to the depicted relations the influence of projected images (Gioia et al. 2000) and impression management (see Hatch/ Schultz 2002) can be emphasized. This includes symbolic practices that are meant to show compliance with general standards and are directed to outsiders (Arrow 3). Public relations and practices of corporate identity intend to provide an outside observer with detailed but filtered material to generate a positive reputation (see also Luhmann 2000 “Selbstbeschreibung vs. Außendarstellung”). It is easy to see how this relates to the hypothesis of decoupling.

Figure 2: Extended Feedback (self-reference and comparative reference)



3.3. Path Dependence of Organizational Identity

One remaining question is still left unanswered: How can organizational identity contribute to an explanation of organizational persistence in terms of path dependence? The ability of organizations to relate current practices and decisions to organizational history is the basis for organizations to provide and maintain their functions (see Luhmann 2000; Ortmann/ Salzman 2002). By default an organization is past dependent and not necessarily path dependent since current practices and decisions relate to earlier states of the organization. As the organizational identity is constructed using an historic frame of reference, past dependence surfaces in accounts of organizational inertia and persistence due to effects of organizational identities (see Ashforth/ Mael 1996; Baron 2004; Stimpert et al. 1998; Barney et al. 1998; Gioia et al. 2000; Fiol 2001, 2002; Barney et al. 1998; Whetten 2006; Nag et al. 2007). In empirical terms this means for example that the "… identification of the workforce with an old identity led to blinding core rigidities that prevented the company from easily adapting to changing market conditions." (Fiol 2002: 661). Path dependence, however, has to be based on mechanisms for systematic reproduction. In order to apply the path dependence concept to organizational identity the elements and processes involved as well as the mechanisms that shape the path have to be revealed. The two feedback cycles introduced above will help to understand the potential for lock-in situations.

In this text organizational path dependence has been introduced as path dependence of organizational competences. Competences are formed by practices that constitute routines or processes to assemble specific assets (Teece et al. 1997). As this text aims at an application of path dependence to organizational core features, so far only core competences have been considered. So what is the relation between core competences and identity? In a seminal definition core competences are understood as "… the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technologies." (Prahalad/ Hamel 1990: 82) In the literature on identity, identity itself has been treated as a core competence: "By possessing a clear organization identity, a firm can give guidance to employees in their decision making that otherwise would not be appropriate. In this sense organizational identity can be understood as a core competence in an organization … ." (Barney et al. 1998: 109; similar Fiol 2001, 2002). The focus here lies on property of the organizational identity such as clarity, unity or the ability to adapt identity elements. Yet, in the existing literature, the fact that core competences themselves can be regarded as elements of organizational identity has been neglected. This assumption applies since core competences represent organizational self-description as an entity and describe the organization to the organization. One prominent example: "The diversified corporation is a large tree. The trunk and major limbs are core products, the smaller branches are business units; the leaves, flowers, and fruit are end products. The root system that provides nourishment, sustenance, and stability is the core competence. You can miss the strength of competitors by looking only at their end products, in the same way you miss the strength of a tree if you look only at its leaves." (Prahalad/ Hamel 1990: 82). In this allegoric account, core competences clearly represent elements of organizational identity. As a description,[8] organizational core competences are central, distinctive and continuous characteristics. They also provide a sense of unity as they ascribe certain attributes to the whole organization as an entity: "In the core competencies underlying them, disparate businesses become coherent." (Prahalad/ Hamel 1990: 83). Being a central description of organizational properties, core competences become a basis for the coordination of general organizational activities. In the same way that being fundamental implies core competences (Teece et al. 1997), being core implies being part of the identity.

Like other elements (see Whetten 2006), core competences are part of the organizational identity. How can they be reproduced in a path dependent process of organizational identity construction? The explanation lies in the feedback cycles and the respective possibilities for self-reinforcement and lock-in. As identity shapes activities and activities again shape organizational identity, a potential for lock-in and path dependence exists. The recursive nature has been described above with the cycle of integrative and operative function. The *primary feedback* of organizational self-reference entails possibilities for a substantial reinforcement

[8] Since organizational identity is only a description, core competences as a part of identity merely represent the structures and practices. There is a difference between competence as actual structures and as routines.

of identity elements. This can trigger a path-dependent development and a subsequent reproduction of organizational identity (elements). The positive feedback inflicted by the ability of the organizational identity to give orientation and to describe the organization as an entity leads to the confirmation of identity (see above). “For example, the firm that defines itself as a distinct consumer products company will seek to build organizational processes and to accumulate the resources and skills that complement this identity. To the extent that the firm is successful in developing these processes and skills, it further reinforces its identity as a distinctive consumer products company.” (Stimpert et al. 1998: 88; see also Ashforth/ Mael 1996: 32) This feedback is only a precondition, which on its own can merely act as an inertial force of corresponding structures. Lock-in and path dependence of organizational identity can only occur in combination with the effects of reproduction mechanisms. While the primary feedback process of operative and integrative functions revolves and effects different organizational dimensions and layers, the respective mechanisms generate the effects necessary for path dependence. Analytically, reproduction mechanisms can be distinguished as: investment effects, learning or mental models effects, as well as effects of complementarity, power, and legitimacy:

- *Investment Effects*: Since organizational identity shapes practices and decisions an economic lock-in can occur as the result of investment decisions (Ortmann/ Salzman 2002) that are consistent with identity. This can quickly lead to a particular path of organizational competence development (see Teece et al. 1997) if only those competences are developed that complement the existing identity. Establishing a particular identity element by making it a commonly shared distinctive, central and continuous property, also requires considerable efforts and resources. Thus material and cognitive switching costs of changing an established identity element can prove very high (Whetten 2006: 226; Stimpert et al. 1998: 92). In the end this will encourage further investment decisions that complement and further confirm the existing organizational identity.

- *Learning and Mental Models Effects*: Path dependence due to effects of local learning (see Kogut/ Zander 1992; Coombs/ Hull 1998) can be inflicted by identity because it serves as a frame for organizational learning and as a perceptual lens that conditions the attention of organizational members. Being a frame and a general premise identity broadly defines alternatives that are “in character” and appropriate to pursue. Accordingly, out of a variety of possible learning trajectories only a small set appears available. Early decisions foreclose later learning progresses. This situation constitutes a cognitive lock-in (Ortmann/ Salzman 2002) in which organizational members have “… difficulty noticing, interpreting, and appropriately acting on environmental changes that do not correspond with their firms' organizational identities.” (Stimpert et al. 1998: 90). Identity influences the set of choices that are open and the evaluation of their meaning and potential: „[…O]rganizational resources, especially knowledge, skills, and expertise, are likely to be influenced by the basic assumptions and frames of reference that organization members use to define “who we are” as an organization […]” (Nag et al. 2007: 824; Ashforth/ Mael 1996; see also Glynn 2000). In the case that decisions and practices (are) relate(d) to identity, they are implemented and carried

out accordingly. In turn, organizational identity describes the organization as a whole and allows for the coordination of activities on the level of entity as well as for the complex parts to relate to each other. Organizational identity functions here as a shared mental model that shapes the organizational path (see Denzau/ North 1993). This effect has been identified more broadly as cause for strategic blind spots (Teece et al. 1997; Fiol 2002). For example, strategy can be affected when top management is focused on existing core competences and neglects strategic alternatives (see Burgelman 2002). In time, this will narrow down the actual strategic choices available as structures and competences correspond only with the established identity. This will foster further activities that are in line with organizational identity.

- *Complementarity*: Representing the organization as a whole, the construction of organizational identity takes place against a background of a complex, interwoven organizational matrix containing a variety of interrelated organizational structures (see David 1994). As identity gives rise to corresponding decisions and practices, complementarity is rooted in the function of core elements, in the sense that: " … most core features of organizations are those, if altered, generate the broadest and deepest cascades of ancillary changes in other areas." (Baron 2004: 25; see Teece et al. 1997). This relation of organizational structures with core properties constitutes intra-organizational complementarity. Additionally, elements within organizational identity can also be complementary if they are relate to each other in an hierarchy of nested identity elements (Whetten 2006). Less central identity elements are constructed to complement more central ones. Replacing a particular identity element will prove difficult given the interconnections with other elements and structures.

- *Power*: Concerning power relations, it has been argued that the persistence of core structures of an organization reflects an organizational status quo (Hannan/ Freeman 1977, 1984). In giving rise to decisions and practices and in accounting for the entity, organizational identity constitutes a crucial device in the power games of groups and individuals within the organization (see Crozier/ Friedberg 1979; Greenwood/ Hinings 1996). Forms of micro-policy, such as the expert and gatekeeper status as well as hierarchical power, are especially important. Through personnel interpretation and assessment of organizational structures as well as of events in the environment, individuals can affect and shape organizational identity (Fiol 1991; Gioia/ Chittipeddi 1991; Hatch/ Schultz 2002; Ravasi/ Schultz 2006).[9] The power to define and shape elements of the organizational identity defines the conduct and activities as well as it re-defines the basis for power at the same time, which then again defines power chances for groups and individuals. Influenced by the configuration of power within the organization, organizational identity is likely to follow a particular path.

- *Legitimacy*: Finally, path dependence can be triggered by the shared belief of appropriateness or moral correctness (see Mahoney 2000). Applied to organiza-

[9] In the literature on identity this is discussed based on the difference between sense-giving and sense-making.

tional identity this reproduction mechanism implies the effects of organizational culture (see Meyerson/ Martin 1987). Organizational culture secures the reproduction of certain identity elements when they are commonly considered as appropriate and correct within an organization (see Corley et al. 2006; Fiol et al. 1998b; Hatch/ Schultz 1997, 2002). Legitimacy of organizational identity is granted to those elements that have “withstood the test of time” (Whetten 2006: 224). The result is a circular definition of identity maintenance, as continuity of organizational identity leads to legitimacy and legitimacy leads to continuity.

In the course of the feedback process, combined with the effects of reproduction mechanisms, the organizational evolution will have increased the gap between established solutions and alternatives. As decisions and practices feed back into identity construction, this relation is potentially self-reinforcing. Early realizations of organizational identity lead to specific organizational structures that confirm the identity and thus potentially tip its development into one of many possible directions. As choices and practices affect subsequent choices and practices, this ultimately leads to a specific formulation of organizational identity and the development of a corresponding set of organizational structures. In this situation, organizational identity is path dependent, allowing only bound change, if at all.

In order to describe the institutional pressures involved in organizational path dependence of core properties, the *secondary feedback cycle* can be referred to. In addition to the feedback of organizational self-reference the influence of outsider perceptions can be considered (see above). Outsider appraisal affects organizational identity when conformity with outsider expectations (like cognitive, normative institutional preconceptions) is considered and evaluated against the current organizational identity. In turn, conformity to institutional preconceptions yields a positive feedback if it confirms the expectations held by outsiders about the organization. This is especially the case when organizational reputation significantly effects the terms of exchange with the environment. Inflicted positive feedback further enhances practices and decisions to be designed according to preconceptions … and so on. The institutional influence on organizational identity is particularly important here in the form of *models of the organization*. As types or categories, these models prescribe certain recipes of organizational configuration. Path-dependent in the understanding of being a certain type of organization means to be tipped into a mold of organizational structure configuration that becomes increasingly difficult to escape from (see similar argument by Greenwood/ Hinings 1988). The conformity with external expectations and preconceptions can be understood as external complementarity of organizational identity.

Like core competences that cannot be bought and have to be developed and become genuine property of the organization (Teece et al. 1997), institutional preconceptions also have to become an organizational property. Institutionally mediated core competences have to represent a viable self-description that fulfils its operative and integrative function. This again raises the problem of self-sufficiency of the primary feedback cycle. Since the primary feedback cycle can provide an autonomous reproduction according to integrative and operative functions, structures can be continuously reproduced even after a period of faded outsider appraisal. Through this very process, the imprinting of structural properties of early

development periods according to institutional environment takes place. Preconceptions are translated into organizational identity and structures (see Sahlin-Andersson 1996) in a process of auto-communicative self-reference and interaction with the environment. Yet even if outside support for particular identity elements fades away the organization will reproduce the element in question, e.g. a particular core competence, as a part of its organizational identity. This reproduction process can be path dependent and prove very much resistant to a variety of change efforts. It is important to notice that organizational identity indeed has a predisposition for lock-in and path dependent reproduction, yet it is not path dependent by default, for certain conditions have to be met.

4. Discussion: Organizations in an Institutional Environment and Multilevel-Path Dependence

The argument above entails a number of implications for the main question of this text on the possibilities and circumstances of organizational change and stability in an institutional environment.

First, implications for path dependence on multiple levels can be raised. In accordance to Powell (1991: 193) the following claim can be raised in this text: "Organizational procedures and forms may persevere because of path dependent patterns of development in which initial choices preclude future options, including those that would have been more effective in the long run. These processes occur both at the level of the individual organization and at the collective level of the industry or the field." The institutionalization of organizational models involves self-reinforcing bandwagon effects of diffusion (Abrahamson/ Rosenkopf 1993) and can lead to path dependence of institutional evolution. In this case, institutional path dependence on a field level interacts with path dependence of organizational identities. This interaction shapes the possibilities and circumstances of organizational change. In the case of an effective interaction, path dependence has to be regarded as a multi-level phenomenon. This has major implications for both levels involved. In the case that the two levels are interconnected and synchronized (via organizational identity), the resistance to change of institutional path dependence is significantly amplified by organizational path dependence as a result of structural self-similarity of different levels (see Kirchner 2008). A considerable part of the equation of hyper-stable institutional frameworks seems to be due to the involved organizational path dependencies. If institutions are linked to organizational identities, major institutional shifts potentially cause major shifts in organizational identities - and the other way around. In addition to assumptions that institutional frameworks or organizational fields are populated by certain types of organizations with distinctive core competences (see e.g. Streeck 1991; Whitley 2007), it can be argued that these forms correspond with particular realizations and reproductions of distinctive organizational identities. Just as the organizational identity is embedded within the institutional environment, the institutional framework is also rooted, enacted and reproduced by organizational identities. Furthermore, organizational identity can provide an answer to questions about the empirically observed variety, heterogeneity and persistence of alternative, off-path, organizational forms (see Schneiberg 2007). As a device to cope with internal demands for continuity and institutional pressures, identity provides a mechanism whereby forms can be reproduced continuously and preserved, even in the face of changing institutional settings. To exemplify the implications and concepts developed in this text, three cases can be referred to: (i) For example, public sector reforms can be considered, as they "… represented attempts at changing the modes of managing, controlling and accounting for the actual production of services." (Brunsson/ Sahlin-Andersson 2000: 722). In the terms of this paper these reform attempts are directed at a shift of general types by introducing a new general model of the organization that relates public sector organizations to market

forms and structures and practices of private businesses such as customer orientation. This shift in terms of institutionalized general categories within the organizational field of public sector organizations brought about changes in local organizational identities. (ii) A crisis led to a "new way to conceive of large corporation", namely the shareholder conception of control (Fligstein 2001: 147). This path-breaking move away from the formerly established model (the so-called financial conception of control) allowed for the diffusion of a new model of the organization. The shift from a finance conception of control to a shareholder value conception of control (Fligstein 2001: 147 f.) is a shift on the level of the model of the organization as an entity. Again, these shifts of organizational identities were embedded in an organizational field. (iii) The study of Southeast Asian Family Business Groups presents a case of resistance to change by organizations in the face of changes in the institutional framework and the market environment (Carney/ Gedajlovic 2002). Family businesses were unable to reform core structures in order to adapt to changing institutional and market conditions. As a result of path dependence of core aspects these business groups remained locked into a particular path of competence development. They proved unable to adopt competences, such as innovation and management capabilities, that were not in line with the identity of being family-owned business entities. Accordingly, these business groups remained locked into producing only already existing low cost, high quality products. In line with the idea of imprinting, the concept of structural inertia, and the various studies of path dependence, the following can be concluded. Rather than a straight institutional conditioning of organizations, a complex co-evolution of organizational forms and the institutional framework can be observed (Carney/ Gedajlovic 2002; see Volberda/ Lewin 2003). Institutionalized models of the organization and organizational identities, both potentially evolve in path dependent patterns of change and stability.

Second, there are implications for non-core organizational characteristics. In the text above a fundamental distinction has been made between models of organizing and models of the organization. Accordingly, competences have been distinguished in core and non-core elements (summarized in Table 1).[10] Since a large share of research is directed towards particular organizational practices and competences that are not part of the organizational identity, it could be asked how they relate to the stability and change of identity. By means of operative and integrative functions, organizational identity serves as a frame, perceptual lens and representation of the unity for the organizational activities. These functions imply a significant conditioning of non-core practices and peripheral competences. Concerning major deviations from routine practice or the attempt to introduce major new practices, organizational identity is likely to be referred to (Albert/ Whetten

[10] Concerning bandwagons of fashionable institutionalized practices (Abrahamson 1996; Abrahamson/ Rosenkopf 1993) the interaction of identity and non-core activities and structures can be illustrated. Aiming to maintain a reputation of being modern and innovative is a genuine part of identity, as it is continuous and core to the organization. Yet fashions as ever changing practices are non-core and rather easily changed. In this sense identity serves as a gatekeeper for fashionable practices, providing continuity but still changing over time in the particular realizations of being modern or innovative.

[1985] 2004; Whetten 2006; see also Sahlin-Andersson 1996; Sevón 1996). Organizational identity conditions the attention given to alternatives as well as serving as referent for an exclusion of alternatives. Alternatives are framed, impossible, inappropriate or are simply inconceivable as a result of cognitive blind spots. Furthermore in case of an implementation attempt of institutionalized practices as models of organizing organizational identity takes effect in a local translation process (see Sahlin-Andersson 1996; Sevón 1996). The conditions of stability and changes of organizational identity potentially affect all kinds of organizational activities. Adopting a new identity entails (potential for) changes of non-core practice and structures. Being a customer oriented organization resulted in major shifts in practice of public sector organizations (see Brunsson/ Sahlin-Andersson 2000), since these identity elements imply the introduction of corresponding practices. Following a shareholder value conception of the firm fosters particular structures to be built and others to be modified, since new adapted strategies, internal organization structures and other competences have to be developed that correspond with the new perception of the firm (see Fligstein 2001). In contrast, the inability to change organizational identity in the face of institutional shifts can inhibit the adoption of practices that match institutional and market environments. In this sense, Asian Family Business Groups proved unable to implement necessary structures and practices such as recruitment and remuneration practices of managers, structures to secure the development and financing of product innovations, as well as structures of global distribution and marketing (Carney/ Gedajlovic 2002). The answers given to the question “Who are we as an organization?” provide a general frame and guideline that constrain and enable the evaluation, implementation and repeated conduct of a number of organizational non-core practices and decisions.

Table 1: Core versus Non-Core Organizational Elements

	Core (and part of the Organizational Identity)	Non-Core
Path Dependence	core competences	(peripheral) competences
Institutions	models of the organization: organizational forms, archetypes, conception of control	models of organizing: all other relevant institutionalized practices

5. Conclusion

The key question of this article has been: What are the conditions for organizational change and stability in an institutional environment? To answer this question the path dependence approach and neo-institutionalist concepts were discussed. The concept of organizational identity was introduced to deal with the implications of the two concepts, providing insight on how organizational identity mediates institutional pressures and internal demands for continuity. The text followed the path dependence approach and presented an application of organizational path dependence on the level of organizational identity. At the same time, the role of institutional influences has been considered. Concerning path dependence the major claim in this paper is that the reproduction processes of identity elements can be self-reinforcing and path dependent. Considering paths on both the institutional level and the organizational level, path dependence potentially constitutes an interconnected multilevel phenomenon.

Organizational identity is the answer to the question of organization members: Who are we as an organization? Organizational identity provides a term to describe how organizations cope with institutional pressures and manage to remain stable over time. The construction of organizational identity includes two central sources of elements reproduced (Whetten 2006). On the one hand identity is constructed using a comparative frame (environment), which embeds the identity of the organization within the local social and institutional context. On the other hand organizational identity elements are reproduced by referring to organizational history, which is remembered in a self-referential process and constitutes an historical frame (history). The operative and integrative function of organizational identity (Seidl 2005) can trigger a feedback of organizational self-description and activities. Combined with reproduction mechanism this feedback effect can lead to a path dependence of organizational identity. The following statements summarize the effects of organizational identities: “[…O]rganizations develop their interests, identities, resources and abilities in their social context, and partly from the ideas they pick up and in relation to those they imitate.” (Sahlin/ Wedlin 2008: 222). Organizations are embedded in their social context as the construction and maintenance of organizational identity is related to common models and is subject to outsider appraisal. However, another position has to be considered as well: “[… A] coherent and distinctive [… organizational identity] can act as a counterweight to competitive and institutional pressures to imitate successful and widely-accepted practices.” (Ashforth/ Mael 1996: 33) In principal, the cycle of organizational self-reference is self-sufficient and can provide a means to resist and reject institutional pressures. Only if feedback cycles of self and comparative reference run synchronized can outsider expectations effectively be integrated into organizational identity and translated into organizational activities.

Looking ahead, the conceptual argument that has been made in this paper demands for empirical evidence to support the claims raised. Also, in subsequent studies it will be important to consider when and how organizational change involves path dependent, incremental changes as well as path-breaking developments under conditions of path dependent organizational identities.

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