11. Institutional complexity

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Outline of the topic

Innovation processes typically engage multiple actors from a range of societal sectors, such as universities and research institutions, governments, regulatory agencies, businesses, different advocacy groups and civil society. Stakeholders representing different societal sectors often follow distinct institutional logics, which Thornton and colleagues characterize as patterns of values, beliefs, rules, assumptions and material practices, that draw from divergent sources of legitimacy, authority, identity, norms, attention and strategies. Innovation processes that involve multiple stakeholders from different institutional domains face institutional complexity in the form of multiple co-existing and incompatible institutional prescriptions, as defined by Greenwood and colleagues. While successfully combining the institutional logics of different actors can be beneficial to innovation, prescriptions of incompatible logics can lead to conflict and hinder collaborative innovation capacity.

Conceptual overview and discussion

Actors from various sectors have 'stakes' in innovation processes. Innovation is important for academic research, the private and public sectors and civil society. Innovation often relies on collaboration among diverse societal groups and actors, with the aim of synergistically combining different institutional logics and collectively transforming the functioning of the institutional fields in which they operate. While innovation serves as a shared objective that unites actors from different institutional domains, depending on their backgrounds, the different actors need to comply with different rules and norms, regard different aspects of innovation as important and valuable and pursue different outcomes. When different values, identities and practices collide and coalesce, institutional complexity may impact actors' ability to work together towards their shared objectives.

According to Greenwood and colleagues, actors can experience varying degrees of institutional complexity, depending on the extent to which a given organization, constellation of organizations or operating field is characterized by multiple, interrelated and incompatible institutional logics. Raynard argues that the way in which institutional logics diverge or converge is dependent on the degree to which they are (in)compatible, the level of jurisdictional overlap and the extent to which they are prioritized within a given field. According to them, a high degree of complexity due to unsettled prioritizations, incompatibility and the jurisdictional overlap of multiple logics is a typical feature of innovative and emerging fields.

Actors can seek to manage institutional complexity in various ways, for example by undermining the demands of conflicting logics and following one primary logic (logic replacement), keeping institutional logics separate from each other (compartmentalization, layering or structural differentiation), incorporating elements of one logic into another (assimilation or transformation), selectively and flexibly drawing from different sources of legitimacy, authority, identity and bases for norms and strategies based on the situation (selective coupling or compromising) or seeking to adopt hybrid structures and practices that accommodate multiple logics in synergistic ways (blending or integration). The responses might not necessarily be strategic or intentional and may emerge spontaneously during the innovation processes. However, actors can also consciously pursue the hybridization of logics or their deep integration, as noted by Vermeulen and colleagues.

Application

Here, institutional complexity is illustrated through the case example of CLIC Innovation, an innovation partnership that focused on promoting sustainability transition through green innovation projects, which typically involve multiple research and business partners and public sector funding. While innovation represented the common goal of the partnership, the expectations of the partners varied in terms of the roles, contributions, coordination practices, time frames, resource allocation, information exchange and end results of the joint innovation work. The partners, following a commercial logic, emphasized efficiency and sought market status and profits within relatively short time frames, whereas the research partners were focused on accumulating scientific knowledge through the

traditional practices of academic knowledge production. This meant that the partners needed to balance commercial viability with academic freedom in order to pursue out-of-the-box ideas and state-of-the-art solutions that would be operationalizable within the current market space.

To mitigate institutional complexity, the innovation management in the project planning stage involved seeking actors with aligned interests, 'matchmaking' to build actor constellations with compatible ideas and resources as well as negotiations regarding each partner's roles and responsibilities and overall performance goals. The facilitator of the partnership provided the partners with structured project design processes and workshop methods to determine the joint purpose, vision and mission and to support the development of co-innovation strategies. The innovation work in the partnership was carried out by experts with varied professional backgrounds, many of whom had previous experience working in both industry and academia as well as in cross-sectoral and multidisciplinary environments. This helped the key individuals responsible for innovation work to understand the institutional logics at play and navigate the multi-logic environment.

The innovation projects of the CLIC partnership were structured as thematic work packages in which compatible elements of logics were bundled together. Meanwhile, incompatible parts were divided into another work package under another theme or sequentially prioritized such that each actor provided project outputs following their own logics, albeit in connection with others. Compartmentalization of incompatible elements of the logics allowed the partners to pursue actions that were mainly academically or commercially oriented while drawing on the partnership's joint resources.

While the partners maintained their distinct logics, their continuous interactions enabled them to develop a better understanding of the multiple logics within the partnership and at the field level. Increased awareness of the divergent institutional demands for innovation work allowed experienced partners to adopt a more strategic approach in navigating the multiple institutional domains. Through the selective coupling of institutional logics, partners were able to strategically embrace elements relevant to their multiple stakeholders. A high level of alignment in terms of blending the logics was not achieved, but, through mutual learning, the partners who continued to work together adapted to each other's logics, gradually mitigating the tensions arising from institutional complexity.

Critical summary

The act of combining multiple institutional logics in innovation processes can result in robust innovations that benefit not only individual actors but also the society as a whole. At the same time, collaborative innovation work may be challenging due to incompatible but overlapping institutional logics. Institutional complexity, if not addressed, may lead to dysfunctional organization, an inability to coordinate collective actions and antagonistic practices between different actors that are central to the realization of societally critical innovations. By focusing on the multiplicity of institutional logics, researchers and practitioners can explore and explain institutional dynamics in innovation processes and develop more strategic ways of leveraging institutional multiplicity and diversity to promote transformative innovation.

Further readings

Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R., & Lounsbury, M. (2011). Institutional complexity and organizational responses. *Academy of Management Annals*, *5*(1), 317–371.

Raynard, M. (2016). Deconstructing complexity: Configurations of institutional complexity and structural hybridity. *Strategic Organization*, *14*(4), 310–335.

Thornton, P. H., Ocasio, W., & Lounsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure and process*. OUP Oxford.

Vermeulen, P., Zietsma, C., Greenwood, R., & Langley, A. (2016). Strategic responses to institutional complexity. *Strategic Organization*, *14*(4), 277–286.