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Institutional Frame Switching: How Institutional Logics Shape Individual Action

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INSTITUTIONAL FRAME SWITCHING: HOW INSTITUTIONAL LOGICS SHAPE INDIVIDUAL ACTION

Vern L. Glaser, Nathanael J. Fast, Derek J. Harmon and Sandy E. Green, Jr.

ABSTRACT

Although scholars increasingly use institutional logics to explain macro-level phenomena, we still know little about the micro-level psychological mechanisms by which institutional logics shape individual action. In this paper, we propose that individuals internalize institutional logics as an associative network of schemas that shapes individual actions through a process we call institutional frame switching. Specifically, we conduct two novel experiments that demonstrate how one particularly important schema associated with institutional logics – the implicit theory – can drive individual action. This work further develops the psychological underpinnings of the institutional logics perspective by connecting macro-level cultural understandings with micro-level situational behavior.

Keywords: Institutional logics; schema; implicit theory; cognition

How Institutions Matter!

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Scholars are increasingly interested in how institutional logics – the material practices, assumptions, values, beliefs, and rules that define a particular social world – shape and coordinate action (Friedland & Alford, 1991; Thornton & Ocasio, 1999; Thornton, Ocasio, & Lounsbury, 2012). Research to date has led to valuable insights regarding the effects logics have on macro-level outcomes. For example, scholars have demonstrated how changes in logics can lead to shifts in organizational practices (Thornton, 2004) and the founding of new industry associations (Lounsbury, 2002). While existing research focuses primarily on macro-level outcomes, it relies on a theoretical model that seeks to integrate different levels of analysis. Specifically, scholars sympathetic to this perspective suggest that logics influence macro-level outcomes by focusing the attention of individual actors (Ocasio, 1997; Thornton, 2004; Thornton et al., 2012). However, most of these accounts do not delve into the micro-level explanations or test the psychological mechanisms by which logics shape individual attention and subsequent action (Powell & Colyvas, 2008; Thornton et al., 2012; Zilber, 2016).

Broadly speaking, the institutional logics perspective suggests that institutional contexts provide individuals with understandings of normative behavior and repertoires of potential action that shape their individual preferences and interests (Pache & Santos, 2013; Swidler, 1986). Understanding how individuals learn and apply such cultural knowledge to particular situations requires an articulation of the psychological mechanisms individuals use to access and deploy cultural knowledge (DiMaggio, 1997; Sewell, 1992). Recently, scholars have made an effort to refine our understanding of this process by identifying three mechanisms that connect macro-level constructs with micro-level interactions: identities, goals, and schemas (Thornton et al., 2012). Seeking to further understand these mechanisms, scholars have explored how identities mediate individual interpretation of institutional logics (Creed, DeJordy, & Lok, 2010; Lok, 2010) as well as how institutional logics provide goals that shape subsequent action (Thornton, 2004). However, far less work has been devoted to the concrete role schemas play in this process. However, given the prevalence and complexity of schemas in individual action (Fiske & Taylor, 2007; Walsh, 1995), a better theoretical account is needed to explain how institutional logics relate to schemas and shape individual action (Thornton et al., 2012).

In this paper, we begin to explore this inquiry by theorizing how institutional logics shape individual action through a network of associated entity schemas (i.e., persons, objects, and places) and event schemas (i.e., stories, histories, and implicit theories). Within this framework, we specifically

argue that implicit theories – theories about why people act the way they do – are particularly critical in shaping individual action. By drawing on the psychological literature of dynamic constructivism (Hong, 2009; Hong, Morris, Chiu, & Benet-Martínez, 2000), we hypothesize that exposure to situational cues activates schemas in general – and implicit theories in particular – associated with particular institutional logics. We argue that the activation of an implicit theory in this manner provides individual actors a cognitive frame through which to view and understand a particular situation (Lounsbury, Ventresca, & Hirsch, 2003; Miller & Sardais, 2013; Werner & Cornelissen, 2014). Our explanation thus extends existing theoretical accounts (Scott, 1995; Thornton et al., 2012) by identifying and empirically testing one important mechanism (i.e., implicit theories) through which institutions influence individual action. We test our hypotheses in two experiments. First, we demonstrate how particular logics shape individuals' descriptions of their past and future actions by activating a logic-associated implicit theory. Second, we reveal that exposure to a particular institutional logic and related implicit theory in one situation shapes how individuals act in a new and unrelated subsequent situation.

The present research seeks to contribute to institutional theory in several ways. First, we respond to recent calls to deepen our understanding of the micro-processes of institutional theory (Bitektine, 2011; Powell & Colyvas, 2008) and the institutional logics perspective (Thornton & Ocasio, 2008; Thornton et al., 2012) by further developing our theoretical understanding of how schemas psychologically connect the macro-level construct of institutional logics with individual action. Second, we demonstrate how one type of schema – the implicit theory – shapes individual action, further explicating the mechanisms through which institutions both constrain and enable individual action (Weber & Glynn, 2006). Third, we contribute to a growing body of work that uses psychological theories (Bitektine, 2011; Bitektine & Haack, 2015; Tost, 2011) and experimental methods to provide an insight into institutional theory and research (Raaijmakers, Vermeulen, Meeus, & Zietsma, 2015; Zucker, 1977).

More broadly, we see our work also helping scholars better understand how institutions matter as they seek to develop theory that addresses the grand challenges faced by society (Colquitt & George, 2011; Ferraro, Etzion, & Gehman, 2015; George, 2014). For instance, our work may provide some much-needed theoretical scaffolding to help scholars better understand the negative consequences associated with the spread of financial concepts and the market logic (Davis, 2009; Froud, Johal, Leaver, & Williams, 2006). Indeed, our theory implies that the unethical

decision-making often argued to be associated with the market logic (Wang & Murnighan, 2011; Wang, Malhotra, & Murnighan, 2011) may be more malleable and sensitive to situational cues, and thus more open to correction, than once thought. In addition, our work may also help to explain the processes by which individuals construct new meanings related to sustainability and future generations (Garud & Gehman, 2012; Wade-Benzoni, 2002; Wade-Benzoni, Hernandez, Medvec, & Messick, 2008). For example, knowing how institutional cues can trigger individual-level decisions associated with self- versus other-interest may make possible interventions that focus people's attention more on others to motivate a higher degree of concern for the future.

THE MICRO-FOUNDATIONS OF INSTITUTIONAL LOGICS

Inspired by Friedland and Alford's (1991) observations that the institutional orders of society have different logics, scholars have suggested that institutional logics provide socially shared frameworks that shape and direct individual actions. This perspective builds on a Weberian understanding of rationality as institutionally contingent (Thornton et al., 2012; Townley, 2008), where an individual's practices and values are constructed and evaluated differently in distinct social worlds (Friedland & Alford, 1991; Gehman, Treviño, & Garud, 2013; Jackall, 1989). These socially shared worlds provide the rules that structure the cognitive categories used to build consensus and organize activities (Jones & Livne-Tarandach, 2008; Loewenstein, Ocasio, & Jones, 2012).

The institutional logics perspective is built upon a multi-level theoretical model that explains the relationship between macro-level constructs (e.g., institutional logics and organizational practices) and micro-level constructs (e.g., individual actions and social interaction) (Thornton et al., 2012). In this model (Fig. 1), Thornton et al. (2012, p. 85) suggest that institutional logics function as a socially shared construct at the macro level. As we move to the micro level, situational cues make different logics more or less accessible, available, and salient, thereby focusing the attention of individual actors during social interaction (Ocasio, 1997). This attention ostensibly activates a variety of psychological mechanisms that influence the decision-making, sensemaking, and mobilization processes that form organizational practices and identities. Organizational practices and identities, in turn,

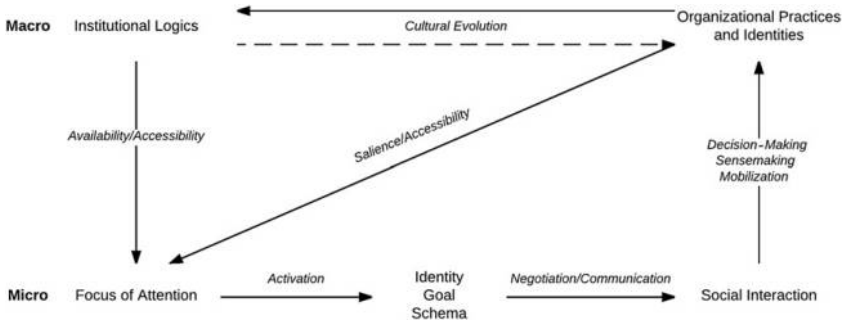


Fig. 1. A Cross-Level Model of Institutional Logics. Source: Figure reproduced from Thornton et al. (2012).

reinforce and refocus the attention of individuals at the micro level as well as affect the cultural evolution of institutional logics at the macro level.

Advocates of this model suggest that institutional logics shape individual action through three psychological mechanisms: identities, goals, and schemas (Thornton et al., 2012). Some work has begun to investigate these relationships. For instance, recent efforts have shown how logics shape identities as individuals seek to manage ongoing institutional contradictions (Creed et al., 2010; Lok, 2010). Scholars have also begun to investigate the relationship between logics and goals, demonstrating how executives often establish goals that emerge from and are consistent with the institutional logics that are prominent in their given settings (Thornton, 2004). However, little work has explored how schemas function as a mechanism for this process. In fact, while a handful of scholars both within (Thornton et al., 2012) and beyond the institutional logics perspective (DiMaggio, 1997; Sewell, 1992) suggest that schemas might play an influential role that mediates logics and individual action, these considerations remain speculative, theoretically unelaborated, and empirically untested. In order to clarify this relationship, we draw from fundamental work on schemas in cognitive and social psychology (Fiske & Taylor, 2007; Wyer, 2004) to build a micro-level understanding of schemas for institutional theory.

The Psychology of Schemas

Psychological research on schemas suggests that individuals form schemas when they repeatedly observe pairings of related stimuli, and encode and

organize these associations into a descriptive mental map (Wyer, 2004). Individuals begin acquiring and internalizing schemas for objects and social actions in early childhood (Piaget, 1975; Vygotsky, 1978) and continue to do so through adulthood, often via organizational socialization processes (Van Maanen & Schein, 1979). As a result, situations and domains serve as specific cultural contexts in which individuals learn practices, assumptions, values, beliefs, and rules (Fiske & Taylor, 2007). For example, individuals learn to associate the overarching concept of money with a complex variety of different types of categories, including material objects (e.g., wallets, purses), attributes (e.g., paper, coins), behaviors (e.g., shopping, saving), and environments (e.g., banks, stock market). This complexity, in turn, points to the important observation that many different types of schemas exist (Wyer, 2004) and function in markedly different ways (Fiske & Taylor, 2007).

In an attempt to make sense of this complexity, psychologists have organized schemas into two broad categories: entity schemas and event schemas (Carlston & Smith, 1996). Entity schemas are generalized representations of things (i.e., people, objects, and places). For example, individuals form a generalized understanding of customer service representatives, fast food restaurants, and theme parks. Event schemas are generalized representations of temporal or causal relationships (i.e., scripts, histories, and implicit theories) (Wyer, 2004). For example, individuals form a generalized understanding of the temporal sequence they use to purchase a product with a credit card, or for the temporal sequence via which a You-Tube video spreads from a family video to a cultural phenomenon.

These different types of entity and event schemas interpenetrate one another in an “associative schematic network,” activating each other reflexively in an individual’s mind. For example, exposure to the *object* of an American flag may activate the *script* of reciting the pledge of allegiance (Schank & Abelson, 1977). Conversely, reading about the *history* of the Revolutionary War may activate the mental representations of certain types of *people* (e.g., Red Coat soldiers) or *places* (e.g., Boston). Thus, individuals cognitively represent meaning systems as “a network of distributed knowledge that is produced and reproduced among a collection of interconnected individuals” (Chiu & Hong, 2007, p. 785).

Schemas and Institutional Logics

We argue that through repeated experiences within and across societal institutions (Pache & Santos, 2013), individuals develop different schematic

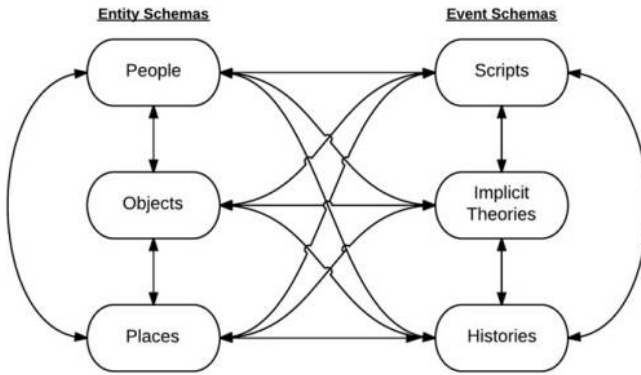


Fig. 2. Associative Schematic Network Representing an Institutional Logic.

networks that typify the different institutional logics. Thus, at the micro level, *individuals psychologically represent institutional logics as associated networks of entity and event schemas* (Fig. 2). To provide a simple illustration of how individuals psychologically represent institutional logics, we describe two of the most prevalent and distinct logics in society: the market and family logic (Table 1).

Market Logic

Scholars suggest that the market logic is a fundamental institutional order (Friedland & Alford, 1991; Thornton & Ocasio, 1999; Thornton et al., 2012). Individuals learn about the market logic as they participate in market transactions and consume media such as newspapers, books, television, or movies. Individuals also learn about the market logic through the educational system, where students learn about economics, business, and the appropriate ways of interacting in the business world. This education provides individuals with entity and event schemas. For example, individuals develop entity schemas in the market logic for people and organizations such as buyers, sellers, brokers, competitors, and suppliers. Individuals develop entity schemas for abstract places such as stores, marketplaces, or factories. Individuals also form event schemas for scripted behaviors such as buying a product, engaging in a negotiation, or manufacturing a product. These schemas may diffuse across the community and transition into culturally shared event representations such as the “rags to riches” or “the day trader who either lost everything or became wealthy” stories.

Table 1. Overview of the Associative Schematic Network for the Market and Family Logics.

Institutional Cues	Market Logic	Family Logic
Persons	Buyers	Father and mother
	Sellers	Children
	Brokers	Brothers and sisters
	Suppliers	Friends and relatives
Objects	Products	Toys
	Money	Pictures
		Couch
Places	Marketplace	Dining room table
	Store	Home
	Factory	Backyard
		Living room
Scripts	Opening bell	Family dinner
	Closing bell	Playing with the kids
	Bidding practices	
Histories	Rags to riches story	The “good-for-nothing” relative
	Day trader stories	Profligate father/sacrificial mother
Implicit theories	People operate based on self-interest	People operate based on other-interest

Family Logic

Scholars also suggest that the family is a fundamental institutional order of society (Friedland & Alford, 1991; Thornton & Ocasio, 1999; Thornton et al., 2012). Individuals learn about the family through personal experience and primary socialization (Berger & Luckmann, 1967). Individuals develop knowledge of family based on their personal experiences, but they also develop an understanding of family from interactions with other families and media such as newspapers, books, television, or movies. These experiences form entity and event schemas associated with family. For example, individuals develop entity schemas for persons related to roles such as father, mother, child, brother, sister, or friend. Individuals develop entity schemas for objects associated with the family such as toys, mini-vans, a couch, or a dining room table. Individuals develop entity schemas for places such as a home, a backyard, or a living room. Additionally, individuals develop event schemas of scripts such as a family dinner or a birthday party and generalized representations of histories such as the “good-for-nothing” relative or the “profligate father and suffering mother.”

Implicit Theories and Institutional Logics

Within the network of schemas associated with an institutional logic, we argue that implicit theories – theories about why people act the way they do – function as the primary cognitive frame that shapes individual action. Implicit theories differ from other schemas in that they relate content to abstract causal understandings of the world between different entities and events (Dweck & Leggett, 1988; Dweck, Chiu, & Hong, 1995). For example, a person might have an implicit theory that (a) organizations are complex systems, (b) managers coordinate action in these complex systems by creating specialized organizational structures, and (c) such structures create economies of scale that will lead to successful organizational outcomes (Heath & Staudenmayer, 2000).

Implicit theories, independent of their truth, guide individual understandings and explanations. For example, individuals hold implicit theories about the inherent variability of personality attributes (Dweck & Leggett, 1988). These core assumptions directly influence how individuals judge their intelligence, evaluate the intelligence of others, and react to negative social behaviors (Dweck et al., 1995). Similarly, prior research shows that individuals use culturally formed implicit theories about individual and collective autonomy to make attributions about the behavior of others (Menon, Morris, Chiu, & Hong, 1999). Scholars have thus found that implicit theories, in general, can serve as a central mechanism that explains how internalized cultural knowledge can shape individual action in a subtle yet significant manner (Menon et al., 1999).

In an institutional context, individuals develop implicit theories because social interactions require them to understand why people behave the way they do and because social interactions require them to offer socially appropriate motives for their past and future actions. For example, when individuals describe their past actions to others, they explain them in a way to justify their past choices. Similarly, when individuals describe their future actions, they may seek to do so in a way that makes their actions seem socially appropriate. Additionally, an implicit theory may influence an individual to respond and act in a prescribed way in new, unfamiliar institutional situations. Since an implicit theory helps an individual evaluate the appropriateness of his or her own and others behaviors, implicit theories likely play an important causal role in undergirding how institutional logics (as delineated earlier in Fig. 1) influence individual action.

In particular, individuals in the market logic seek to increase their profit or utility (Thornton et al., 2012, p. 56). Indeed, scholars have studied how

actors exposed to social theories that advocate the benefits and rationality of self-interest, later accept these theories as normative rules for appropriate social interaction (Ferraro, Pfeffer, & Sutton, 2005; Miller, 1999). In the market logic, therefore, individuals develop an implicit theory that suggests that individuals act in their self-interest (Wang & Murnighan, 2011; Wang et al., 2011). As a result, when individuals need to interpret their own or others motives in order to decide which action to follow in the future, they do so from an implicit theory that *self-interest* serves as the socially appropriate basis of action. In contrast, individuals in the family logic believe that families exist to procreate and ensure the ongoing existence of the family in the future. Consequently, scholarly conceptions of the family logic suggest that individuals seek to enhance interpersonal relationships, derive personal identity from the reputation of their family in the community, and strive for legitimacy by demonstrating unconditional loyalty (Thornton et al., 2012, p. 56). As a result, when individuals assess their own or others motives to understand what they should do in the future, they do so from the implicit theory that privileges *other-interest*, placing the interest of others ahead of their own. These considerations, in turn, provide a basis for exploring more thoroughly how implicit theories in particular function as a mechanism through which institutional logics shape individual action.

INSTITUTIONAL FRAME SWITCHING

Yet individuals do not internalize implicit theories from only one meaning system. Recent work by dynamic constructivists demonstrates that individuals hold distinct schemas from different meaning systems (Hong, 2009; Hong et al., 2000). These scholars examine how bi-cultural individuals often switch between schemas as they perceive situational cues such as cultural icons (Chiu & Hong, 2007; Hong, 2009; Hong et al., 2000), a process they refer to as “cultural frame switching” (Benet-Martínez, Leu, Lee, & Morris, 2002). Frame switching, in this sense, refers to the conscious or non-conscious activation of a particular schema, such as an implicit theory, when individuals could readily apply more than one schema in a situation. Drawing on this work, institutional scholars have only recently suggested that this dynamic constructivist perspective might help further explain the relationship between institutional logics and individual action. Indeed, since bi-cultural individuals hold multiple *cultural* meaning systems, individuals may also hold multiple *institutional* meaning systems (Thornton et al., 2012).

To examine this possibility, we propose a process of “institutional frame switching.” Specifically, we argue that when an individual confronts a familiar cue, the cue activates the associative schematic network related to an institutional logic. This activation makes the related implicit theory associated with that logic more cognitively salient and accessible. While this process can happen when an individual consciously recognizes the activation of the schema, we contend (and empirically validate) that this process also occurs when an individual does not consciously perceive this activation. We suggest that the activated implicit theory functions as a critical cognitive frame through which individuals interpret subsequent stimuli. Specifically, individuals use an activated implicit theory to explain past and future action and guide their actions in new institutional situations (Fig. 3).

Institutional Frame Switching and Justifications for Past Action

Social interaction often requires individuals to justify their past actions (Scott & Lyman, 1968). For example, managers justify their past actions in common organizational situations such as monthly reviews of financial results, project status updates, or annual performance reviews (Jackall, 1989). These justifications shape future organizational activity in important ways. An accepted explanation may divert organizational attention to another area; an unacceptable explanation may result in the further organizational focus on a salient problem. In such situations, individuals tend to use explanations that conform to a clear, socially approved vocabularies (Loewenstein et al., 2012; Mills, 1940). In Jackall’s (1989) ethnography of corporate managers, for instance, managers drew on different justifications for their actions in work settings than in family settings. Institutional theorists explain the use of these different justifications by suggesting that individuals exposed to institutional settings have learned the vocabularies appropriate for a particular setting (Gehman et al., 2013; Harmon, Green, & Goodnight, 2015; Loewenstein et al., 2012; Pache & Santos, 2013).

Institutionally simple situations evoke unambiguously appropriate vocabularies (Pache & Santos, 2013). For instance, imagine a salesperson explaining why she gave a particular price to a customer. In a situation clearly characterized by the market logic, she may respond in a socially appropriate manner by saying, “I wanted to maximize my bonus” or “this price had the potential of maximizing our profitability.” On the

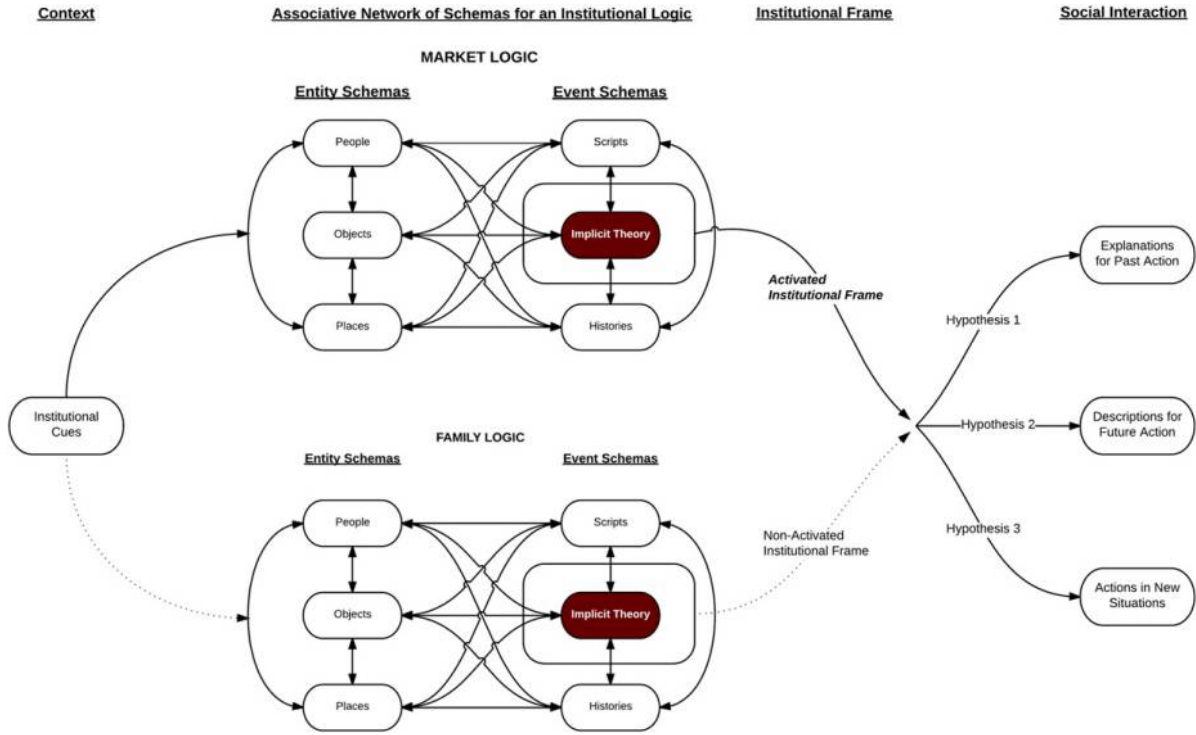


Fig. 3. Model of Institutional Frame Switching.

other hand, if a significant other asked the same salesperson at home to justify their decision about pricing, she may respond in a socially appropriate manner by saying, “I wanted to help us to take a nice vacation” or “I wanted to fund our children’s college tuition.” In this way, the clarity of these particular situations provides the individual with natural, yet different, justifications that are appropriate for given social interaction (Harmon et al., 2015).

While existing theoretical accounts can explain how individuals use a clear, contextually derived normative framework to justify past action, they struggle to account for less straightforward situations. More specifically, when a situation does not provide a clear, contextually derived normative framework – a topic of increasing theoretical importance (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Wry, Cobb, & Aldrich, 2013) – scholars rely on justifications that depend on individuals consciously evaluating the appropriateness and consequences of applying distinct institutional logics (Pache & Santos, 2013; Raaijmakers et al., 2015). For example, Pache and Santos (2013) establish a typology of individual responses to complexity consisting of ignorance, compliance, defiance, combination, and compartmentalization. This theoretical account operates at the level of conscious deliberation, however, and fails to consider the crucial role of perception and non-conscious sensemaking in how individuals respond to institutional complexity (Weber & Glynn, 2006).

We suggest that the process of institutional frame switching provides an alternative account to existing theoretical explanations that rely on normative mechanisms. More specifically, when situational cues non-consciously activate a schema related to an institutional logic, additional corresponding schematic elements of the network may activate. Consequently, a person will have a greater tendency to interpret and deploy additional schemas associated with a previously cued logic in new situations, even when unaware of prior exposure to that logic. Specifically, when individuals face situations requiring them to justify past actions, they may use an activated implicit theory to explain what happened in those historical situations. Since individuals associate the market logic with an implicit theory based on self-interest, we suggest that individuals will justify their past actions with an activated market logic associative schematic network by drawing on an implicit theory based on self-interest – even when there is no clear reason they might do so. Correspondingly, individuals with an activated family logic associative schematic network will justify their past actions by drawing on an implicit theory based on other-interest.

Hypothesis 1. Individuals exposed to cues associated with the market logic will justify their past actions as more self-interested relative to individual exposed to cues associated with the family logic.

Institutional Frame Switching and Descriptions of Future Action

In addition to justifications for past action, individuals often describe future action in attempts to shape the social world around them (Elsbach, Sutton, & Principe, 1998; Hewitt & Stokes, 1975). Thus, while accounts draw upon socially approved vocabulary to justify past action retrospectively, individuals also provide socially approved explanations to describe future action prospectively. For instance, in organizations managers often interact to develop consensus about how to accomplish goals and objectives. In doing so, managers often draw on the implicit theory associated with an institutional logic.

As with individual justifications of past action, normative mechanisms can also explain how individuals might describe future action in an unambiguous context. As an illustration, in a typical market logic context (e.g., a networking meeting for young business people), an individual might talk in a manner that emphasizes future goals related to making money. Conversely, in a typical family logic context (e.g., a family reunion), an individual might talk in a manner that emphasizes future goals related to providing for one's family or improving the family's quality of life. Normative theoretical mechanisms thus suggest that individuals describe future actions in a manner that aligns with normative expectations associated with the situation.

In less straightforward institutional contexts, however, this normative approach also fails to account for individual descriptions of future action. These descriptions require conscious deliberation to resolve complexity. Institutional frame switching, however, provides an alternative explanation that operates at the level of non-conscious individual perception. For instance, the activation of an individual's associative network of schemas also activates their schema for an implicit theory based on self-interest. This schema provides the individual with broad principles they can use to describe their future action deliberately, within the constraints of social appropriateness. Conversely, the activation of an individual's associative network of schemas for a family logic also activates their schema for an implicit theory of other-interest. This schema provides the individual with a different set of broad principles they can use to describe their future action

deliberately, within the constraints of social appropriateness. As a result, when moving into an institutionally unclear situation, an individual may describe their future action using a previously activated, non-conscious implicit theory.

Hypothesis 2. Individuals exposed to cues associated with the market logic will describe their future actions as more self-interested relative to individuals exposed to cues associated with the family logic.

Institutional Frame Switching and Individual Action in New Situations

Up to this point, we have focused on the *verbal explanations* of action that individuals use in social interaction. We have hypothesized that institutional frame switching influences such explanations and only speculated that these communications would, in turn, shape action. In this section, we suggest that the frame switching process can also account for how exposure to cues in one setting may have significant carry-over effects and influence individual *actions* in entirely different settings.

Past theories that depict a normative explanation suggest that some carry-over effect will occur. For example, when a person experiences a context featuring a market logic, they likely will naturally interpret a new situation with similar schemas due to priming effects (Bargh, 2006). These effects will fade away, however, if the situation completely changes and the individual experiences cues that activate new and different schemas. Individuals have thus learned norms for types of situations to which they typically conform (Fiske & Taylor, 2007).

Although existing normative mechanisms explain such straightforward carryover effects, complications stemming from institutional complexity might arise. For instance, if an individual faces a task requiring effort and receives an incentive (e.g., the opportunity to make money) to exert effort, this incentive may override the effects associated with exposure to previous institutional logics. Normative mechanisms, however, cannot explain whether individuals will ignore such complex cues or incorporate these cues into their understanding of the situation. The institutional frame switching process provides a possible account for these situations. Specifically, when individuals perceive cues related to an institutional logic (e.g., market or family), exposure to a cue for a particular institutional logic (e.g., market vs. family) will make the implicit theory (i.e., self-interest vs. other-interest) more cognitively salient. Consequently, a previously activated implicit theory

may interact with incentives provided for subsequent tasks in the new situation. Specifically, the individual should be more likely to respond to incentives that align with an activated implicit theory. In other words, when the original institutional logic matches with the incentive provided for exerting effort on the task, an individual will exert more effort.

Imagine an individual entering a family business after having worked for a multinational corporation. The individual has internalized schemas for a market logic and a family logic. In the family business setting, it is not clear which schema should predominate. How should the individual interpret and perceive their new situations? A normative perspective would suggest that individuals will perceive this in one of two ways. First, the individual might carryover their experiences with their past work at the multinational corporation and apply that logic to the new corporation. Alternatively, the individual might recognize cues related to the family and respond to those new cues.

This type of definitive situational perception however rarely occurs. Individuals must incorporate these cues into their understanding of the situation in a way that does not offer certainty about the definition of the situation. Consider the example of an incentive. Although society tends to associate a monetary incentive with a market logic, the concept of monetary incentive may apply to other logics as well. In the family logic, for example, a parent might provide a child with an allowance in exchange for doing chores. Similarly, society tends to associate relational incentives with family logics. However, in work settings, relational incentives may exist as individuals may have a relational incentive in a partnering or contracting relationship. It is thus unclear how the individual entering a family business might respond to an incentive.

We suggest that the institutional frame switching process provides a theoretical explanation and prediction for this type of scenario. We argue that when an individual has an activated implicit theory, he or she is more likely to respond to new cues that match the implicit theory. In other words, when this individual perceives new cues, if the new cues align with the activated implicit theory, he or she will be more likely to respond to those new cues. Thus, we argue that individuals respond to the incentives based on the alignment of the incentive with the activated implicit theory.

Hypothesis 3. Individuals exposed to market logic (family logic) cues will exert more effort on a subsequent, unrelated task when the task incentive matches an implicit theory of self-interest (other-interest) than when the task incentive does not match.

OVERVIEW OF STUDIES

We test our hypotheses using two laboratory experiments. Our experiments examine whether exposure to cues associated with a particular logic increases the likelihood that individuals will adopt and use the implicit theory associated with that logic, a process we label *institutional frame switching*. In Study 1, we prime participants non-consciously and ask them to explain their past actions (Hypothesis 1) and describe their future actions (Hypothesis 2). In Study 2, we prime participants non-consciously and then put them in a new situation in which we offer them an incentive to perform a simple task from which we measure exerted effort (Hypothesis 3). These two studies enable us to test our proposed theoretical model of institutional frame switching.

STUDY 1

In Study 1, we begin by examining whether cues associated with particular institutional logics can non-consciously activate the implicit theory associated with the logic. Once activated, we examined the influence of a logic-associated implicit theory on individuals' explanation of past actions (Hypothesis 1) and description of future actions (Hypothesis 2). To activate institutional logics non-consciously, we used priming methods, which scholars categorize as either subliminal (i.e., the individual is not aware of the prime) or supraliminal (i.e., the person perceives the prime but does not recognize its potential influence) (Bargh, 2002). We follow the methodological approach of dynamic constructivist scholars experimentally examining cultural frame switching with bi-cultural individuals (Hong, 2009) by using supraliminal primes to activate implicit theories associated with either the market or family logics.

Method

Participants

Fifty-four students (25 men and 29 women) from a large West Coast university, ranging in age from 18 to 35 years ($M = 20.9$, $SD = 2.54$), participated in this study. These students participated in the university business school's subject pool and received class credit for participation in our experiment. We chose to conduct our experiment with undergraduate

business students because we believe that these students have internalized both the family and market logics. Consequently, these students likely maintain multiple implicit theories for why they attended college and what they plan to do afterward. For example, a student could indicate that she chose to attend college in order to increase her earning power (an explanation consistent with the market logic perspective); or she could downplay her need to make money and highlight her desire to enjoy relationships and help others (an explanation consistent with the family logic perspective). Similarly, a student could describe her future actions in terms of obtaining the highest paying job possible (a description consistent with the market logic perspective); or she could describe her future actions by talking about making a difference in others' lives (a description consistent with the family logic perspective).

Procedure

We randomly assigned participants to one of three conditions: the market logic condition ($n=17$), neutral logic condition ($n=20$), or family logic condition ($n=17$). We included a neutral logic condition to establish a baseline of how students would respond when not primed with an institutional logic. Subsequent to priming, in an ostensibly unrelated study, we asked participants to explain why they chose to attend college and to describe their future actions after college. Participants then answered several demographic questions.

Manipulation and Measures

Manipulation of Institutional Logics

We manipulated institutional logics by asking participants to take the perspective of a member of a particular organization clearly associated with either the market or the family logic. We asked participants in the market logic condition to write an orientation letter for new employees entering an investment banking organization that sought to make money by encouraging employees to compete and to deliver individual performance. We asked participants in the family logic condition to write an orientation letter for new employees entering a family foundation organization that sought to bring honor to the family name by engaging in philanthropic work. We asked participants in the neutral condition to click a button to proceed without writing an orientation letter. We provide a detailed description of these manipulations in the appendix. To validate

that we had activated the implicit theory associated with the logics, we informally read and assessed each orientation letter. No exceptions were noted.

Dependent Measures

We measured the degree to which individuals would highlight their material self-interest when describing their past actions and future actions. To quantify the degree of material self-interest used by participants in justifying their *past actions*, we asked participants five questions regarding the importance of certain factors were when they decided to attend university: (1) increase one's earnings, (2) maximize one's ability to make money, (3) demonstrate one's ability to succeed in a highly competitive environment, (4) become a self-sufficient person not relying on others for the basic necessities of life, and (5) make sure one's own goals are met (1 = strongly disagree to 7 = strongly agree) ($\alpha = .79$, $M = 5.93$, $SD = .87$). To quantify the degree of material self-interest used by participants in describing their *future actions*, we asked participants five questions regarding the importance of certain future goals: (1) find a job that pays me a large salary, (2) find a job that can meet all my material needs, (3) take an internship that opens the door for making lots of money, (4) make sure to live close to friends, even if it means making less money (reverse-coded), and (5) make sure to make a lot of money, even if it means moving away from friends (1 = strongly disagree to 7 = strongly agree) ($\alpha = .73$, $M = 5.03$, $SD = .95$).

Results

To assess our prediction that priming individuals with a specific institutional logic would lead them to justify their past actions in a manner consistent with the implicit theories associated with the particular logic, we performed an overall analysis of variance (ANOVA) that indicated a significant difference between the three conditions, $F(2,51) = 5.34$, $p < .01$ (Fig. 4). When examining these relationships more closely, we found, as predicted that participants in the market logic condition emphasized material self-interest significantly more ($M = 6.27$, $SD = .66$) than those in the family logic condition ($M = 5.41$, $SD = .95$), $t(51) = 3.10$, $p < .01$. Participants in the neutral logic condition ($M = 6.08$, $SD = .79$) were significantly more self-interested than participants in the family logic condition, $t(51) = 2.51$, $p < .05$, but did not significantly differ from participants in the

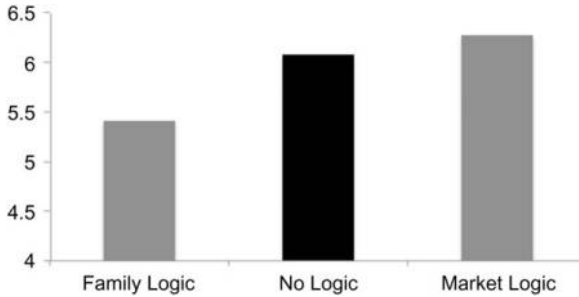


Fig. 4. Degree of Self-Interest for Past Actions.

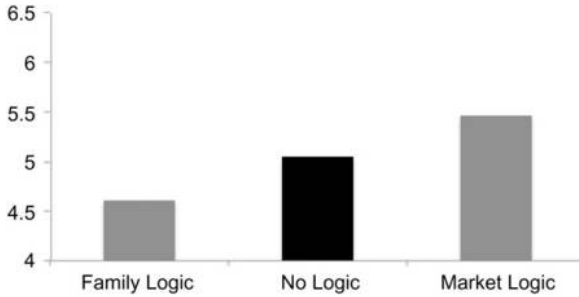


Fig. 5. Degree of Self-Interest for Future Actions.

market logic condition $t(51) = .72$, $p = .48$. These results support Hypothesis 1.

To assess our prediction that priming individuals with a specific institutional logic would lead them to describe their future actions in a manner consistent with the implicit theories associated with the particular logic, we performed an ANOVA that indicated a significant difference between the three conditions $F(2,51) = 4.13$, $p < .05$ (Fig. 5). When examining these relationships more closely, we found that participants in the family logic condition emphasized material self-interest significantly less ($M = 4.58$, $SD = 1.02$) than those in the market logic condition ($M = 5.46$, $SD = .83$), $t(51) = 2.87$, $p < .01$. Participant in the neutral logic condition ($M = 5.05$, $SD = .83$) did not significantly differ from participants in the market condition, $t(51) = 1.38$, $p = .17$, or family condition, $t(51) = 1.60$, $p = .12$. These results support Hypothesis 2.

Discussion

Study 1 demonstrated that cues in the environment activate an individual's implicit theory for a particular institutional logic. Our results showed that individuals justify past actions and describe future actions in a manner consistent with the activated implicit theory associated with the institutional logic. These findings show through the process of institutional frame switching how institutional logics influence micro activities by shaping the language social actors use in interaction. While Study 1 tested the influence of implicit theories on these *verbal explanations* of past and future actions, Study 2 tests whether our theory has implications for individual *action* in new situations.

STUDY 2

In Study 2, we extend our previous findings by examining how institutional logics shape individual action when participants enter an entirely new situation. Specifically, we explore how institutional logics and their associated implicit theories influence individual action when individuals are introduced to different forms of incentives. We make the situation new by introducing an unrelated task with an incentive that either matches (or does not match) the non-consciously activated implicit theory. To the extent that they do match, we predict that individuals will exert more effort because the activated implicit theory causes the subsequent matching incentive to appear more compelling to the individual (Hypothesis 3).

Method

Participants

One hundred and fifty-two students (96 men, 56 women, one unidentified) from a large West Coast university, ranging in age from 18 to 33 years ($M=20.93$, $SD=2.59$) participated in this study. Participants were part of the university business school's subject pool and received class credit for participation.

Procedure

The study employed a 2 (institutional logic: market logic versus family logic) \times 3 (task incentive: self-interest incentive, other-interest incentive, no

incentive) between-subjects design. We randomly assigned participants to one of the six conditions, resulting in the following cell sizes: market logic prime/self-interest incentive ($n=25$), market logic prime/other-interest incentive ($n=22$), market logic prime/neutral incentive ($n=26$), family logic prime/self-interest incentive ($n=20$), family logic prime/other-interest incentive ($n=33$), and family logic prime/neutral incentive ($n=26$). After priming participants with the market or family logic, we asked participants to perform a word search task. Vigilance and detection tasks, such as a word search, typically yield consistent effects for incentives by maximizing the difference between the skill of the individual and the complexity of the task (Bonner, Hastie, Sprinkle, & Young, 2000). The use of this vigilance and detection task also minimizes potential confounds with the manipulations used to operationalize the different institutional logics and task incentives because this type of manipulation is not associated with any specific logic. After the word search task, we asked participants to fill out a survey that included demographic information.

Manipulation and Measure

Manipulation of Institutional Logics

We manipulated the market and family logic using the same materials and procedure described in Study 1.

Manipulation of Incentives

After participants had written the orientation letter, in an ostensibly unrelated study, we asked participants to find words in a word search task. We held the task constant but invoked different incentives for each condition. In the self-interest incentive condition, participants read the following: “You will have the chance for personal gain from this task – for every word you find you will receive a raffle ticket which will be entered into a drawing to receive \$15. So the more words you find, the better your chances of receiving the money.” In the other-interest incentive condition, participants read the following: “You will have the chance to help us out by doing this task – for every word you find you will help us with our future study, as we are wanting to see how many words people can find. So the more words you find, the more helpful it is to us.” Finally, in the no incentive condition, participants read the following: “We are piloting the following word search task for use in a future study. For the task, simply identify and write down as many words that have 5 or more letters as you

can. The words may read up and down, across, diagonal, or backward. Please find a minimum of one word before moving on to the next page; the maximum number of words is 20.”

Dependent Measure

We measured the amount of effort participants exerted in two ways. First, we measured the amount of time spent by the participants searching for words, using this as a measure of persistence on the task. Second, we counted the number of words correctly identified in the word search. We created standardized Z-scores for each measure and combined them to construct a combined measure of effort. Results for each individual measure yielded consistent results. As such, we report only the combined measure.

Results

One participant did not complete the priming essay as instructed and we excluded this participant from our analysis, dropping our total number of participants to 151. To assess our prediction that individuals exposed to market logic (family logic) cues will exert more effort on a task when the task incentive is consistent with self-interest (other-interest) than when it is not, we organized the participants into two separate conditions: matched and mismatched. The matched condition included participants' whose institutional logics matched the task incentive (i.e., market and self-interest incentive; family and other-interest incentive). The mismatched condition included participants whose institutional logics did not match the task incentive because either a mismatched incentive was provided (i.e., market and other-interest incentive; family and self-interest incentive) or no incentive was provided (i.e., market and no incentive; family and no incentive). We then assessed the effect of condition on overall effort.

As expected, an analysis of variance (ANOVA) indicated that when participants were offered an incentive that matched their activated logic, they exerted significantly more effort ($M = .30$) than when it did not ($M = -.18$), $F(1, 150) = 12.75$, $p < .001$. We next examined whether this pattern held consistent across both the market and family logics (Fig. 6). When examining only the participants primed with the market logic, our results show that they exerted significantly more effort when provided with a self-interest incentive ($M = .64$) than when they were not ($M = -.12$), $F(1, 72) = 10.62$, $p < .01$. Similarly, when examining only the participants primed with the family logic, our results show that they exerted

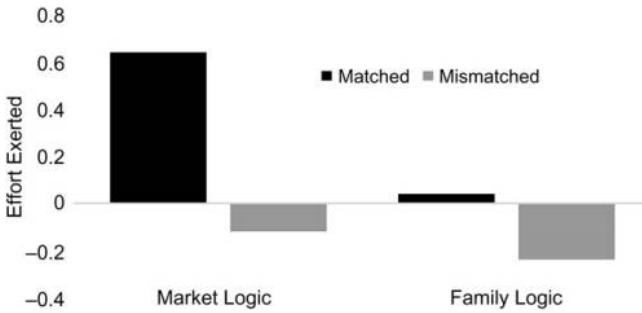


Fig. 6. Effort Exerted in a New Situation.

significantly more effort when provided with an other-interest incentive ($M = .04$) than when they were not ($M = -.24$), $F(1, 77) = 4.14$, $p < .05$. These findings provide support for Hypothesis 3.

Discussion

Study 2 demonstrates that an activated implicit theory also influences how individuals choose to act in new situations. When cues activated participants' implicit theory associated with the market logic (family logic) they exerted more effort, but only when motivated with an incentive based on self-interest (other-interest). These findings provide further evidence for the notion that institutional logics influence individual action through the mechanism of implicit theories.

GENERAL DISCUSSION

In this paper, we developed and empirically tested a theoretical model that depicts how the psychological activation of schemas in general, and implicit theories in particular, function as a mechanism that links institutional logics and individual action. We built on past literature that suggests that individuals experience logics as schemas (DiMaggio, 1997) by explicating one way (i.e., through implicit theories) in which this occurs. Indeed, we argued that implicit theories associated with institutional logics play a particularly critical role in shaping individual action. Specifically, implicit

theories, when activated, help to shape how individuals perceive how action should be described and enacted their surrounding environment.

In addition, we developed the novel concept of institutional frame switching to explain these findings. Building on insights from dynamic constructivism (Hong, 2009), we suggested that individuals internalize multiple associative schematic networks for different institutional logics. We demonstrated how exposure to cues in the environment activates these schematic networks, and in particular, activates a logic-associated implicit theory. Our findings from two experimental studies reveal that the activation of this implicit theory influences social interaction in three important ways. First, individuals justify their past actions in terms that accompany the activated implicit theory (Study 1). Second, individuals describe their future actions in terms that fit with the activated implicit theory (Study 1). Finally, individuals respond to new situations by using the activated implicit theory as a way of determining how much effort to exert on a task (Study 2).

Implications for Institutional Theory

These results contribute to institutional theory in four ways. First, our framework helps to develop further the micro-foundations of how institutional logics shape individual action. This micro-level understanding is critical because early institutional scholars based many of their seminal insights on micro-level foundations and assumptions (DiMaggio, 1997; Powell & DiMaggio, 1991; Zucker, 1977). While Zucker (1977) indeed was one of the first to examine these micro-mechanisms empirically, subsequent work in this area has primarily focused on exploring institutional effects at the macro level and paid less attention to developing these micro-foundations further (Powell & Colyvas, 2008; Thornton & Ocasio, 2008).

Several scholars have recently recognized this omission and have started to develop further insights at the micro level. For instance, some scholars have explored the micro-foundations underlying organizational decisions about adopting a practice or innovation (George, Chattopadhyay, Sitkin, & Barden, 2006; Kennedy & Fiss, 2009; Raaijmakers et al., 2015). Other scholars have explored the micro-foundations of legitimacy and have examined how individuals make such judgments (Bitektine, 2011; Tost, 2011). Our work contributes to this increasing effort to understanding the micro-foundations of institutional theory in general and institutional logics in particular by examining one key mechanism (i.e., schemas) that helps

explicate these micro-level processes. Specifically, we utilize fundamental psychology research to develop a more detailed understanding of how schemas relate to institutional logics to affect individual action. Our efforts thus provide some much-needed micro-level scaffolding that scholars can use for the ongoing development of the micro-foundations of institutional logics.

Second, our study contributes to the conversation surrounding the influence institutions have on individual agency. Scholars emphasize that institutions perform a dual role with respect to agency: they both constrain and enable individual behavior (Sewell, 1992; Weber & Glynn, 2006). Institutional logics constrain as they “shape individual preferences, organizational interests, and the categories and repertoires of actions to attain those interests and preferences” (Thornton et al., 2012, p. 77). At the same time, institutional contradictions “provide individuals and organizations with opportunities for agency and institutional change by exploiting these contradictions” (Thornton et al., 2012, p. 77). Although scholars have identified these two roles of institutions, little work has investigated the psychological mechanisms that may differentiate these roles at the micro level (Thornton et al., 2012).

Our efforts suggest however that a more careful examination of these psychological mechanisms may provide an insight into this inquiry by shifting attention away from this longstanding dichotomy of enabling versus constraining agency and instead focus our attention more on questions regarding the dynamic and integrated use of schemas (i.e., implicit theories) in social action. In particular, when the network of schemas associated with an institutional logic is activated (Fig. 2), our framework suggests that such schemas function as an implicit background against which actors decide to talk and act. Moreover, our empirical findings suggest that implicit theories, in particular, form background expectations for how to think and talk about social action as well as help to guide individual’s behavioral choices in institutionally unclear situations. We suggest that by focusing on how individuals engage in institutional frame switching in concrete situations, we can begin to understand more thoroughly how individuals draw upon and exploit the internalized aspects of institutional logics (i.e., schemas) in their ongoing social interactions.

Third, our framework may also provide further insight into how institutional complexity operates. Recently, Pache and Santos (2013) developed a model to explain how individuals respond to institutional complexity. In their model, they suggest that a fundamental way individuals respond to institutional complexity emerges from their experience with an institutional

logic (i.e., from the novice to the highly experienced). Our framework suggests a possible psychological explanation for findings based on the idea of schema development. Specifically, when an individual becomes more experienced in an institutional logic, they likely develop a stronger association with the implicit theory that undergirds social interaction in that type of situation. Thus, the manner by which novices respond to and engage in institutional frame switching is likely to differ significantly from highly experienced individuals.

Fourth, we contribute to a growing body of work that uses psychological theories and experimental methods to provide an insight into institutional theory and research (Raaijmakers et al., 2015). In particular, scholars are increasingly calling for the use of experimental methods to test institutional theory (Bitektine & David, 2009), arguing that such a methodological approach may uncover micro-level insights other methods are unable to observe. By developing an empirical paradigm, we provide one possible methodological approach for further examinations into the micro-foundations of institutional logics.

Managerial Implications

Our findings may also offer practical implications for managers who are responsible for making decisions about structuring their organizations and incentives to achieve specific goals or objectives. For example, organizations wishing to exert influence over others may choose to expose employees to symbols associated with particular institutional logics. For example, a start-up organization wishing to foster competition and profit-maximizing behaviors may choose to expose workers to language and material symbols (e.g., art, furnishings, dress code) that mirror that of the market logic. In so doing, they will enhance the salience of the implicit theory associated with the pursuit of self-interest. Alternatively, an individual wishing to increase generosity in the context of a profit-maximizing organization may choose to introduce language and/or symbols that invoke religious or family institutions so as to increase the likelihood that others will come to view generosity as a course of action that “makes sense.” However, managers should take note that the implications and ultimate success of these choices may depend on whether they match the activated internalized network of schemas of their employees, suggesting that an organization with a singular or coherent logic or vision may more easily achieve this match than an organization with hybridized logics or visions.

Societal Implications

Our theory of institutional frame switching may also help to build the theoretical infrastructure for addressing societal issues of significance, topics scholars have recently described as “grand challenges” (Colquitt & George, 2011; Ferraro et al., 2015; George, 2014). To illustrate, we speculate about how implicit theories might be used to extend theories that address two issues of contemporary importance: the negative consequences associated with the trend of financialization (Davis, 2009; Froud et al., 2006) and challenges associated with sustainability (Garud & Gehman, 2012).

Much recent concern has been made about the ways in which notions of financialization and market-related concepts negatively influence society (Davis, 2009; Ferraro et al., 2005), particularly through psychological mechanisms (Wang & Murnighan, 2011; Wang et al., 2011). Although scholars have already developed theoretical explanations about how financial market concepts colonize other spheres of society (Fiss & Zajac, 2004; Glaser, Kennedy, & Fiss, 2014; Thornton & Ocasio, 1999), scholars have only recently begun to consider how to develop theory that can help mitigate these effects (Marti & Scherer, *in press*). We suggest that our theory of institutional frame switching may provide an insight about how public and private organizations might mitigate the negative psychological consequences associated with financial markets. For example, organizations might align contextual features of a situation to be associated with an institutional rationality appropriate for a particular decision-making process. Implicit theories associated with institutional logics are by nature often hidden and unarticulated; by naming and identifying implicit theories, organizations can promote critical reflection on background assumptions and presuppositions (Harmon et al., 2015).

Research on sustainability has recognized that the processes through which individuals develop understandings of the meaning of sustainability are of great significance (Garud & Gehman, 2012). An illustration of this can be seen in the research of Wade-Benzoni (2002), who highlights how a current generation possesses attitudes about how resources should be allocated between current and future generations (Wade-Benzoni et al., 2008). We suggest that the way in which implicit theories associated with institutional logics may have implications for understanding the background assumptions and presumptions associated with such complex decision-making processes about sustainability. For instance, understanding

the way in which institutional cues can trigger decisions associated with other-interest (as opposed to self-interest) may make possible interventions that seek to focus people's attention more on others, thereby potentially motivating a higher degree of overall concern for future generations.

Directions for Future Research

The current research also presents several opportunities for future research. First, since we only empirically examined implicit theories for market and family logics, further research could investigate how implicit theories associated with other logics play a role in organizations as well. Moreover, the market and family logics may contain multiple implicit theories. Scholars might also investigate whether different implicit theories related to, for instance, competency, morality, or agency, play a similarly crucial role to shape action. Second, since we only focused on individual decisions and actions at a single point in time, future research might examine how repeated actions conditioned through ongoing social interaction might influence organizational decisions and outcomes. Indeed, ongoing activities that occur in social interaction may further transform and influence how implicit theories eventually influence organizational activities. Scholars could potentially examine this opportunity by further exploring the transformation of implicit theories while in social interaction as well as the impact of such implicit theories on organizational practices and structures.

CONCLUSION

Early research in institutional theory used experiments to show how social conventions became institutionalized within individual cognition to form a taken-for-granted reality (Zucker, 1977). In this paper, we build on this foundation to develop further the psychological mechanisms underlying institutional theory. By examining the importance of schemas in general and implicit theories in particular, we provide one additional step in explaining how institutional logics shape individual action.

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APPENDIX

Materials used to prime institutional logics

Participants in the *market logic* condition read the following:

Picture yourself as an investment banker at Goldman Sachs. Your firm operates with the primary purpose of maximizing profit. In order to do this, the CEO encourages employees to compete with each other and pursue their own self-interest. The more that employees seek to increase their own personal salaries and bonuses, the better they (and the bank) will perform. Overall, the CEO works hard to foster a culture of efficiency, self-interest, and competition. Part of your job is to embody each of these values and communicate them to incoming employees.

You have been asked to write an orientation letter for several new incoming employees to let them know what it is like to work in the company. In the space below, please write out the letter that you would create in order to instill the values and expectations that the CEO has for employees.

Note: Please aim to write for about 5 minutes. After three minutes, the arrow will appear and you may move on to the next page, but please continue writing as long as it takes to provide a meaningful response.

Participants in the *family logic* condition read the following:

Picture yourself as a member of a family foundation. Your foundation is a family-based charity organization that provides financial contributions to good causes and operates with the primary purpose of bringing honor to the founding family through helping others. In order to do this, the founder encourages employees to cooperate and become friends with each other and show loyalty, both to each other and to the foundation. The more that employees seek to help others and show loyalty to the foundation, the better they (and the foundation) will perform. Overall, the founder works hard to foster a culture of care, loyalty, and treating everyone as a part of the family. Part of your job is to embody each of these values and communicate them to incoming foundation employees.

You have been asked to write an orientation letter for several new incoming employees to let them know what it is like to work in the family foundation. In the space below, please write out the letter that you would create in order to instill the values and expectations that the founder has for employees.

Note: Please aim to write for about 5 minutes. After three minutes, the arrow will appear and you may move on to the next page, but please continue writing as long as it takes to provide a meaningful response.

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