Cambridge Elements

Elements in Business Strategy
edited by
J.-C. Spender
Kozminski University

STRATEGIZING WITH INSTITUTIONAL THEORY

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Strategizing with Institutional Theory

Elements in Business Strategy

DOI: 10.1017/9781009357654
First published online: May 2024

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Abstract: This Element consults seven variants of institutional theory to explore how these can be applied to strategic management. These variants are New Institutional Economics, Old Institutionalism, New Institutionalism, institutional entrepreneurship and change, intra-organizational institutionalization, institutional logics, and institutional work. In doing so, three strategic management styles are distinguished: competitiveness-based strategic management, legitimacy-based strategic management, and performativity-based strategic management. While the competitive-based style sees institutional theory submitting to mainstream strategy research, offering additional variables and considerations to explain competitive advantage, the legitimacy-based style makes institutional theory a strategy theory in its own right by providing an explanation for an organization’s viability that emphasizes legitimacy over competitive advantage. The performativity-based style is an even more radical departure from mainstream strategizing by purporting that a future is actively created with organizations making contributions as emerging issues are being dealt with.

Keywords: strategic management, institutional theory, competitiveness, legitimacy, performativity

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ISBNs: 9781009507660 (HB), 9781009357661 (PB), 9781009357654 (OC)
ISSNs: 2515-0693 (online), 2515-0685 (print)
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