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INSTITUTIONAL ENTREPRENEURSHIP IN MATURE FIELDS: THE BIG FIVE ACCOUNTING FIRMS

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This study examines change initiated from the center of mature organizational fields. As such, it addresses the paradox of embedded agency—that is, the paradox of how actors enact changes to the context by which they, as actors, are shaped. The change examined is the introduction of a new organizational form. Combining network location theory and dialectical theory, we identify four dynamics that form a process model of elite institutional entrepreneurship.

Institutional theory initially focused upon explaining how institutionalized structures of meaning affect organizational processes. Attention was given to the conforming behavior of organizations, the adoption of a limited range of socially approved organizational templates, and the resilience of institutional prescriptions (Tolbert & Zucker, 1996; Scott, 2001). More recently, institutional entrepreneurship and change have become the phenomenon of interest (Dacin, Goldstein, & Scott, 2002). The notion of change, however, "poses a problem for institutional theorists, most of whom view institutions as the source of stability and order" (Scott, 2001: 181). If, as institutional theory asserts, behavior is substantially shaped by taken-for-granted institutional prescriptions, how can actors envision and enact changes to the contexts in which they are embedded? Seo and Creed (2002: 226) referred to this as the "paradox of embedded agency." A central challenge for institutional theory, therefore, is to show how and why actors shaped by (i.e., embedded within) institutional structures become motivated and enabled to promote change in those structures.

We examine the introduction of a new organizational form—the multidisciplinary practice (MDP)—within the field of professional business services. Multidisciplinary practices are firms that combine several professions, typically accounting and consulting, and, sometimes, law. The new form was pioneered and championed by elite accounting firms (Greenwood, Suddaby, & Hinings, 2002) and was vigorously contested (Covaleski, Dirsmith, & Rittenberg, 2003). As such, it is an example of institutional entrepreneurship that runs counter to prevailing theory because change was initiated from the *center* of an organizational field. Moreover, given that the field is highly institutionalized, the case is an exemplar of embedded agency. The motivation for our current work was to use the mulitdisciplinary practice case to answer the following question: Why and under what circumstances are embedded elites enabled and motivated to act as institutional entrepreneurs in highly institutionalized contexts?

Using qualitative procedures, we explored the circumstances that prompt elite firms to promote change. Contrary to extant theory, according to which the network centrality of elites embeds them within prevailing logics of action and dulls them to the possibilities of change, we show how such a network location can sharpen awareness of alternatives. We find that elite, central organizations are more likely to come into contact with contradictory logics because they bridge organizational fields. Further, they become immune to coercive and normative processes because their market activities expand beyond the jurisdiction of field-level regulations. These processes, which we label *boundary bridging* and *boundary misalignment,* expose central actors to field-level "contradictions" (Seo & Creed, 2002) and lower their embeddedness. When low embeddedness is combined with a motivation to change, central actors become institutional entrepreneurs.

This study contributes to institutional theory by expanding understanding of institutional change. It

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is a rare account of institutional entrepreneurship by elite actors in a mature setting. Previous studies have focused more on institutional entrepreneurship arising from actors on the fringes or outside an organizational field, and usually in less mature contexts (e.g., Maguire, Hardy, & Lawrence, 2004). Further, by emphasizing how location within an organizational field is associated with exposure to institutional contradictions, our study combines previously separate theoretical perspectives to give an explanation of motivated, endogenous change. In doing so, the study addresses a resonant theme within institutional and organizational theory, showing how actors become motivated and enabled to impose change upon institutions by which they are constrained.

We present our study in four sections. The next section elaborates our theoretical orientation, establishing the central proposition in the extant literature. We then describe our research procedures. A subsequent section presents the case study, identifies four dynamics, and sequences them into a process theory of elite institutional entrepreneurship. Our concluding section points to further research.

THEORETICAL ORIENTATION

Institutional theory, as initially formulated, suggests that behaviors are patterned and reproduced because social norms become taken-for-granted. Following Meyer and Rowan (1977), considerable research confirmed this "corrective" (DiMaggio, 1988: 5) to the then-prevailing assumption that organizational interests are pursued in a calculated and rational manner. It is now widely acknowledged that organizational behavior occurs within a web of socially constructed, taken-for-granted prescriptions of appropriate conduct (Scott, 2001).

Attention has turned to understanding how individuals and organizations wittingly change the institutions in which they are embedded (Dacin et al., 2002). Much of this work focuses upon the organization field, "the least familiar, yet the level of most significance to institutional theory" (Scott, 2001: 83; see also Mazza & Pedersen, 2004). *Organizational fields* are clusters of organizations and occupations whose boundaries, identities, and interactions are defined and stabilized by shared institutional logics (Scott, 2001). *Institutional logics* are taken-for-granted, resilient social prescriptions, sometimes encoded in laws, specifying the boundaries of a field, its rules of membership, and the role identities and appropriate organizational forms of its constituent communities (Friedland & Alford, 1991; Lawrence, 1999; Rao, Monin, & Durand, 2003; Thornton, 2004). A mature field has stable, routinized interactions between participants who have a strong mutual awareness of which organizations occupy given fields and which do not (Scott, 1994, 2001). Organizational forms converge isomorphically around increasingly taken-for-granted templates (DiMaggio & Powell, 1983).

One consequence of field maturity is increasing stratification as elite firms become distinguished by reputation (e.g., Phillips & Zuckerman, 2001; Podolny, 1993; Stuart, 1988) and scale (e.g., Malerba & Orsenigo, 1996). Abbott (1988), for example, described how dominant professions establish jurisdictions surrounded by subordinate, less powerful professions. DiMaggio (1983) referred to a "dominance hierarchy" within organizational fields. Mensal (1960), Eisenstadt (1968), and Shils (1975) suggested the imagery of *central* and *peripheral* organizations as a useful way of capturing these hierarchical relations. The notion of center and periphery embraces both the capacity of central actors within a social structure to establish and sustain an institutional logic favorable to their interests, and the relative embeddedness of elites and nonelites. As their centrality increases, actors increasingly treat institutional logics and the social behaviors encoded within them as taken-for-granted and hegemonic. Here, we use the adjectives "elite" and "central" interchangeably.

Institutional logics and structures are never frozen. Even in highly mature fields, stability is transitory (Hoffman, 1999). In recent work, therefore, scholars have sought to identify the locus and processes of institutional change. Initially, most attention was given to exogenous "jolts" (Meyer, 1982) "smacking into stable institutional arrangements and causing indeterminacy" (Clemens & Cook, 1999: 447). Jolts take the form of social upheaval, technological disruptions, competitive discontinuities, and regulatory change (e.g., Davis, Diekmann, & Tinsley, 1994; Fox-Wolfgramm, Boal, & Hunt, 1998; Garud, Jain, & Kumaraswamy, 2002: Kraatz & Moore, 2002; Lounsbury, 2002; Ruef & Scott, 1998; Scott, Mendel, & Pollack, forthcoming; Zucker, 1988). These events precipitate the entry of new players into an organizational field (Thornton, 2002; Thornton & Ocasio, 1999), support the ascendance of existing actors (Scott, Reuf, Mendel, & Caronna, 2000), and change the intellectual climate of ideas (Davis et al., 1994). Their effect is to disturb field-level consensus by raising awareness of extant and alternative logics, enabling the possibility of change. Less fully explored are *endogenous* sources of deliberate change, defined as "institutional en-

trepreneurship" (DiMaggio, 1988), raising the paradox of embedded agency.

Institutional Entrepreneurship and the Paradox of Embedded Agency

Institutional entrepreneurs are organized actors who envision new institutions as a means of advancing interests they value highly yet that are suppressed by extant logics (DiMaggio, 1988). Institutional entrepreneurs, thus, are interest-driven, aware, and calculative. Expressed in this way, the notion of institutional entrepreneurship runs against the taken-for-granted thesis of institutional theory. As Scott noted: "In highly institutionalized systems endogenous change seems almost to contradict the meaning of institution" (2001: 187). Accounts of institutional entrepreneurship, in other words, confront "the paradox of embedded agency" (Clemens & Cook, 1999; Seo & Creed, 2002; Sewell, 1992). That is, any theory of institutional entrepreneurship must explain how, and which, embedded actors are able to envision, then impose, alternative futures (Boxenbaum & Battilana, 2004; Holm, 1995; Seo & Creed, 2002). An actor's relative embeddedness we define as indicated by awareness of alternatives, openness to alternatives, and a motivation to change. An embedded actor, by this definition, is neither motivated to change, nor aware of or open to alternatives.

As yet, the paradox of embedded action has not been fully resolved, but neoinstitutionalists have drawn clues from two different literatures. Network location theory separates central and peripheral organizational players and identifies the latter as the more likely to disengage from institutionalized practices, for three reasons. First, they are less connected to other organizations, from whom norms are learned, and thus are less aware of institutional expectations (Davis, 1991; Galaskiewicz & Wasserman, 1989; Greve, 1998; Kraatz, 1998; Westphal, Gulati, & Shortell, 1997). Second, they are less aware of institutional expectations because of their weak connection to field-level processes (North, 1990; Zucker, 1988). Third, they are often disadvantaged by prevailing arrangements and stand to benefit from change (D'Aunno, Succi, & Alexander, 2000; Ingram, 1998; Kraatz & Zajac, 1996; Leblebici, Salancik, Copay, & King, 1991). Resource-rich central players, in contrast, are embedded within their institutional contexts. They often fail to see beyond prevailing "recipes" (Porac & Thomas, 1990), are heavily exposed to normative processes (DiMaggio & Powell, 1983), frequently have significant commitments to existing technologies (Tushman & Anderson, 1986), and have interests that are aligned with current practices. Thus, although institutional entrepreneurship may emerge anywhere, it is generally thought more likely to emerge from less embedded organizations at the periphery of a field.

Low embeddedness combined with high "interest dissatisfaction" explains why actors might be motivated to consider change, but it does not explain the circumstances that precipitate them to do so. Seo and Creed (2002), drawing upon dialectical theory (Benson, 1977; see also Clemens & Cook, 1999), pointed to the possible role of latent "contradictions" within organizational fields. They identified four contradictions: gaps between the levels of performance arising from conformity to existing institutional prescriptions and from alternative opportunities in the marketplace (the "efficiency contradiction"); inability of a field to adapt to exogenous jolts because of "locked-in" patterns of behavior and thought (the "nonadaptability contradiction"); inconsistencies between values deeply held yet mutually inconsistent (the "interinstitutional incompatibility" contradiction); and divergence of the interests of those privileged and those disadvantaged by existing logics (the "misaligned interests contradiction"). According to Seo and Creed, field-level contradictions set the stage for "praxis," whereby actors move "from unreflective participation in institutional reproduction to imaginative critique of existing arrangements to practical action for change" (2002: 231). The idea of contradictions provides two insights: it highlights change as flowing from contradictions *endogenous* to organizational fields, implying that, contrary to DiMaggio and Powell (1983), fields are unlikely to evolve toward equilibrium; second, it suggests change will occur where contradictions are most acute, such as where incompatible values conflict or where actors are disadvantaged.

The proposition from the existing literature, then, is that new ideas occur *at the margins of a field* because it is there that organizations are less embedded, less privileged, and more exposed to institutional contradictions. Organizations at the field's center, in contrast, are more informed, continually socialized, better advantaged, and thus more embedded and resistant to change. Several studies support this basic proposition (e.g., Kraatz & Moore, 2002; Haveman & Rao, 1997; Hirsch, 1986; Leblebici et al., 1991; Palmer & Barber, 2001). Moreover, the proposition is consistent with observations reached by application of other theoretical perspectives. Tushman and Anderson (1986) noted that incumbent industry leaders rarely introduce competence-destroying technologies. Porac and Thomas (1990) reported the "cognitive blindness" of

older organizations. March (1991) asserted that established firms "exploit" current knowledge, whereas new firms "explore" to gain new knowledge.

Nevertheless, the proposition that change more likely originates from the periphery of a field is not absolute. Central organizations do, sometimes, act as institutional entrepreneurs (e.g., see Greenwood et al., 2002; Phillips & Zuckerman, 2001; Sherer & Lee, 2002). These instances, though not typical, are especially interesting because they exemplify embedded agency. It is *these* instances of action that need to be understood if we are to resolve the paradox of embedded agency.

Importantly, although the concept of institutional entrepreneurship evokes the image of a single organization acting innovatively, it may not (as in the case we will describe), be an act of a single organization. This way of thinking possibly comes from how the term is used in the entrepreneurship literature, where it has a strong association with individual agency. But at the field level, we suggest, a rather different imagery is needed. Different components of a new practice can first appear in different organizations. Further, it is well established that firms mimic exemplary others, especially those with whom they have systemic ties (Davis, 1991; Westphal et al., 1997). For this reason, it is likely that elites will share responsibility for initiating institutional entrepreneurship.

Organizational Form

The example of entrepreneurship examined here is the emergence of a new organizational form, which is the example provided by DiMaggio (1988). Organizational forms enable diverse approaches to societal and economic problems (Rao & Singh, 1999, 2001) and reflect configurations of privilege and influence (Perrow, 2002). Not surprisingly, Ingram (1998) suggested that the emergence of a new organizational form has resounding institutional implications and is a particularly meaningful example of entrepreneurship. But understanding the emergence of new forms is not without difficulty. Forms may take decades to fully evolve (Rao, 1998; Ruef & Scott, 1998). They are often assembled from the components of existing forms and/or emerge through transitional arrangements, making it difficult to distinguish new from ancestor forms (Campbell, 1997). Further, there is no agreement on how organizational form should be defined (Lewin, Long, & Carroll, 1999).

Ingram defined form as "the combination of an organizational structure and an organizational strategy" (1996: 85). Child and McGrath, more simply, referred to new forms as "alternatives to conventional bureaucracy" (2001: 1135). Rao and Singh defined organizational forms as "novel recombinations of core organizational features involving goals, authority relations (including organization structures and governance arrangements), technologies, and client markets" (2001: 244). Neoinstitutionalists, whom we follow here, regard forms as "incarnations of beliefs and values" (Haveman & Rao, 1997: 1611; see also D'Aunno et al., 2000; Kraatz & Zajac, 1996). That is, an organizational form is an archetypal configuration of structures and practices given coherence by underlying values regarded as appropriate within an institutional context (Greenwood & Hinings, 1996).

An important clue that a new form is emerging is contestation over its legitimacy. Kraatz and Zajac (1996) described the open hostility directed at U.S. liberal arts colleges that introduced vocational programs. Similarly, abandonment by U.S. law firms of the traditional Cravath model of career management became "a major news event" (Sherer & Lee, 2002: 106). The organizational form that we examined in this study triggered conflict between two professions and drew the opposition of regulatory agencies of the state both in Canada and the United States.

METHODS

Rationale

This study emerged from ongoing research during which we became aware that a new organizational form, the multidisciplinary practice (MDP), was emerging and that the very largest global accounting firms, known as the "Big Five" (Arthur Andersen, Deloitte Touche Tohmatsu, Ernst & Young, KPMG, PricewaterhouseCoopers),[1] were its initiators. However, while we understood that change had originated at the center rather than the periphery of a highly institutionalized field, we did not understand the conditions that established the motive and capacity for change. As such, the multidisciplinary practice provided an opportunity to extend existing theory by examining a significant instance of embedded action.

Our research design was a type of "naturalistic inquiry" in which inductive logic was used to obtain insights (Garud et al., 2002; Lincoln & Guba, 1985).

[1] The Big Five emerged out of the Big Six, following the 1996 merger of Price Waterhouse and Coopers & Lybrand. The Big Six evolved from the Big Eight, when, in 1989, Peat Marwick Thorne merged with Main Hurdman to form KPMG, and Arthur Young and Thorne, Ernst Whinney merged to form Ernst & Young.

Use of qualitative procedures was appropriate, for three reasons. First, the changes observed in the field of professional business services constituted a complex social setting in which causal dynamics were not immediately apparent and the motivations of actors were obscure (Elsbach & Kramer, 2003). Second, the analysis involved historical processes. Such dynamic events are best analyzed through use of inductive techniques by which event sequences are clarified and overlapping causal forces disentangled (Lee, 1999). Finally, a primary motivation for this study was "theory elaboration" (Lee, Mitchell, & Sabylinski, 1999), a process in which one contrasts preexisting understandings with observed events in an effort to extend existing theory. Our study is thus an instrumental case study (Stake, 1994). We drew upon two sources of data: interviews and archival materials.

Sources of Data

We followed Ruef and Scott (1998) in defining our field geographically, collecting most of our data within the jurisdiction of the Canadian Institute of Chartered Accountants (CICA). Once the new organizational form was extended to include legal services, however, the debate provided an opportunity to verify our emerging interpretation by analyzing responses in the United States. Inclusion of these later events constituted a "sequential extension" of the case (Stake, 1994).

Informants. Two categories of actors were interviewed: senior partners in three of the Big Five firms (A, B, and C) and in the Ernst & Young law firm; and senior executives in the professions of law and accounting. We interviewed 11, 12, and 13 partners in the Big Five, and 3 in the law firm. All respondents participated in strategic decisions of their firms and were knowledgeable about their firms' approach to multidisciplinary practice. The majority of respondents had been with their firms for over 20 years. We did not conduct interviews in the remaining Big Five firms but had done so in earlier projects. There was nothing to indicate that the attitudes and practices of these firms were different or would become different from those reexamined here. Interviews were semistructured and focused upon the structures and processes of the firms, how these were changing, and why.

We conducted 23 interviews with regulatory personnel: 6 in the Institute of Chartered Accountants of Alberta (ICAA), 4 in the CICA, 2 in the Institute of Chartered Accountants of Ontario (ICAO), 6 in the Law Society of Alberta, 3 in the Law Society of British Columbia, 1 in the Law Society of Upper Canada (Ontario), and 1 in the Canadian Bar Association. Informants occupied senior positions or had specific responsibility for monitoring multidisciplinary practice. Interviews were semistructured and focused upon the relationship between the Big Five and the accounting profession and the involvement of regulators in the multidisciplinary practice debate. As a specific example, we asked regulators how they learned of Ernst & Young's acquisition of a law firm and whether the way in which they gained this information was typical of their relationship with the Big Five.

All interviews were between one and one and a half hours in length, were recorded (where permitted), and transcribed. A sample of interviews involved two researchers so as to minimize interviewer bias. We consulted the texts of 45 interviews conducted between 1986 and 1995 for contextual information as well as for specific insights regarding the initial growth and elaboration of the multidisciplinary practice. These earlier interviews were with a representative sample of partners in the then Big Eight/Six firms. It was this project that yielded the traditional organizational form and the emerging multidisciplinary practice form (see below).

Archival data. Five categories of archival information were consulted. We reviewed the annual reports of the CICA and the ICAA, in reverse chronology from 2002 to 1977, in order to trace the first indication of multidisciplinary activity by accountants. We conducted a similar review of annual reports and documents that discussed the multidisciplinary activities of law or accounting firms prepared for the law societies of Alberta and Ontario. We had access to background papers at the provincial level that were not publicly available. These more private materials allowed us to validate and elaborate public statements. They confirmed the chronology of events, gave details not available from interviews, and provided textual accounts of debates and discussions. There was a striking correspondence between public and private sources (as was also found by Covaleski and colleagues [2003]). We reviewed documents and press releases produced by the Big Five, including a prominent report they jointly commissioned (Trebilcock & Csorgo, 1999). We reviewed lists of training courses provided by the ICAA and transcripts of promotional videos. Finally, we consulted the transcripts of public inquiries held by the U.S. Securities and Exchange Commission (SEC). The SEC hearings, held between August 16 and September 21, 2000,

yielded transcripts from over 90 witnesses. These archival data comprised written submissions and transcripts of oral testimony and cross-examinations.

Data Collection and Analysis

Data collection occurred in four phases. From late 1994 to 1995, we considered materials already collected. In the second phase, from 1996 to 1997, we approached regulatory agencies for archival materials and began interviewing their personnel. In this same phase, we collected indicators of the financial performance of accounting firms, which we updated throughout the study. In phase 3, 1997–99, we conducted interviews in the Big Five, including lawyers in the Ernst & Young law firm, and further interviews in the regulatory agencies. During this phase, we began analyzing the collected data. Following Miles and Huberman (1994), we arranged the data into a condensed, chronological account, coding each data segment according to its source. Data segments retained the original wording. For each segment we indicated whether it related to embeddedness (coded "E") or performance (coded "P"). This analysis provided a condensed but "thick" description of events, arranged according to our two "sensitizing" (Strauss & Corbin, 1994: 277) concepts. Once the chronological account was established, we arranged the data for each of the primary actors (regulators in law and accounting; partners in the Big Five firms), using the following "generative" (Strauss & Corbin, 1994: 274) questions as a schema: Why were the Big Five firms motivated to change? From where did the particular change (the idea of multidisciplinary practice) arise? What was the role of the regulators? How was the multidisciplinary practice debate framed as a problem? Underlying these questions is an attempt to capture the justificatory accounts of different actors engaged in the multidisciplinary practice debate.

The lead author then conducted a "manifest analysis" (Berg, 2004) of the condensed accounts, first identifying phrases commonly used by regulators and/or professionals in the Big Five. For example, references to the *size* and scale of the Big Five firms, to their *resources,* to *pressure* from their clients, and to the *mature* audit industry were made frequently. Then, the lead author, using his knowledge of the industry and profession, identified justificatory narratives. For example, almost all informants from the Big Five offered client demand as an explanation justifying the decision to provide legal services; and the issue of size was often associated with the profession's difficulty in monitoring professional standards.

Once an initial set of phrases and justificatory narratives had been prepared, we reviewed them carefully, referring frequently to the original transcripts. Analysis at this point was an exercise in *latent* analysis, in which a researcher interprets the data using what he/she knows about a subject and the context within which the data are gathered (Berg, 2004). Through several iterations between the raw data, the summaries, and theory, we generated four core dynamics: The first, which we subsequently termed *adverse performance,* was a slowdown in demand for audit services that challenged the Big Five's ability to sustain recent growth rates and raised a tension (contradiction) between conformity to existing conventions and the option of searching for alternative opportunities. The second, later termed *boundary bridging,* was the importance of the Big Five's unique access to an international corporate clientele whose pressing for extended services raised interinstitutional incompatibilities. The third, later termed *boundary misalignment,* was a discrepancy between the scale of operations of the Big Five and the jurisdiction of regulatory agencies, which spotlighted the inflexibility of regulatory boundaries. And the fourth and final core dynamic we identified was the discrepancy in resources between the Big Five and regulatory agencies, which we later termed *resource asymmetry*. In generating these dynamics, we recorded any ambiguities in the data. Thus, the Big Five pointed to economic factors and pressure from clients as influencing the shift toward multidisciplinary practice, yet these firms were apparently performing well. Similarly, they were somewhat disdainful of their profession, yet remained and participated within it.

As the research progressed, we sought to verify the emerging dynamics by using supplemental data sources, especially noninterview data (Jick, 1979). For example, having identified the problematic relationship between the Big Five and the accounting profession, we used three noninterview indicators to assess the relationship: whether each Big Five firm's training was provided in-house or by the profession; how far their activities were monitored by the profession so as to ensure compliance with professional standards; and their participation in the profession's committees. Supplementary data of this kind were collected only *after* we had discerned the emerging themes from interview and archival materials. Table 1 summarizes the multiple sources of data by which the four dynamics were identified and subsequently verified and provides illustrative data segments.

In the final phase of data analysis, conducted in 2000–01, we took advantage of the SEC transcripts

TABLE 1
Summary of Core Dynamics and Data Sources with Illustrations

Dynamics	Data Sources	Illustrations
Performance		
Efficiency vs. conformity	Interviews with Big Five	"We watch each other all the time. It is critical to be in the elite group. That gets you to the table. One of the reasons for the mega-mergers is that no one wants to fall into the second-tier."
	Published statistics	Revenue growth.
	SEC transcripts	No evidence.
Boundary bridging		
Institutional contradictions	Interviews with Big Five	"In order to serve our global clients, we had to be able to offer a full range of services. They were making that very clear."
	Statistics on audit	Percentage assets audited; number of clients with $ billion assets
	SEC transcripts with Big Five	"It wasn't because our predecessors were geniuses and said 'we need more revenue.' It's because our clients said, 'Fix that problem.'"
Boundary alignment		
Lack of adaptability	Interviews with Big Five	"When I started in the firm, the action was in the local office and profits were divided there. Now we are a global firm moving to a global profit pool. This has caused problems for the (profession) which is still organized on a provincial basis with some national coordination."
	Training records	Percentage in-house
	Statistics on firm size	Number of countries; number of professionals
	Committee membership	Percentage membership on profession's committees
Resource asymmetry	Interviews with Big Five	"The association reviews our office periodically. To us, it's Mickey Mouse. Our standards are so much higher than their requirements that we don't really worry. I mean, we care: the review matters. But when we really sweat is when our national office reviews us . . . they're the ones that matter."
	Interviews with regulators	"There are fewer presidents from the Big Five. Filling that or similar roles is less acknowledged within the firm as something that is important to do. There are individual exceptions, but by and large we don't get the same commitment as before."
	Membership statistics	Percentage of profession employed by Big Five
	SEC transcripts	"If the accountants failed to get their way by lobbying Congress or by using the influence campaign contributions, they were ready to sue us. Arthur Andersen hired David Boies, the lawyer who fashioned the government's antitrust case against Microsoft Corp . . . their legal strategy was to challenge the SEC's authority to dictate to accounting firms whom they can and cannot do business with."

to further examine the emergent dynamics. At this stage, our purpose was more verificatory than exploratory, conforming to the "basic analytic cycle" of moving from inductive to deductive as our interpretations crystallized (Miles & Huberman, 1994: 438). Specifically, we wanted to see whether our dynamics were represented in a very public and somewhat hostile forum. The second author read through the transcripts and, using computer-assisted textual analysis software (NUD*IST), extracted all passages that presented justificatory accounts for multidisciplinary practices. Excluded from the data set, as a result of this analysis, was the testimony of academics, consumer groups, and other actors whose testimony was second-hand or speculative. This exclusion resulted in 135 text segments. We then coded these segments according to the core themes previously identified.

We found confirmatory evidence of our dynamics (i.e., multiple instances of our key constructs), but with two qualifications. First, the informants from the Big Five did not refer to their own performance difficulties, but to that of the profession, making the case that the long-term viability of the profession required movement toward multidisciplinary practice. For example, Stephen Butler, CEO of KPMG, in testimony at the 2000 SEC Public Hearings on Auditor Independence in Washington, DC, pointed to the problem of recruiting and retaining the brightest minds:

> I spend more time than I like to admit in the Silicon Valley and other places like that trying to convince my brightest professionals to stay with KPMG rather than jump to a new economy company rich with stock options. If this rule (restricting multidisciplinary practices) were in place, I may as well not even begin those discussions. The best and brightest minds . . . would view auditing firms as a stagnant professional environment. And, candidly, I don't know how I'd argue with them, because I know I won't work in that environment.

We coded this data segment as support for performance as a motivating factor *and* for the contradiction between conformity to traditional practices and a chance to seize novel opportunities for improved performance.

Second, there were no textual references to boundary misalignment leading to nonadaptability. This is not surprising, however, given the forum. One would not expect Big Five informants to admit in public that these firms were too large to be controlled by existing regulatory structures. However, Arthur Levitt, then chairman of the SEC, later acknowledged (in his 2002 book) that the agency's resources had not adapted to the scale and complexity of its tasks. He admitted that the SEC backed down because of threats by the Big Five firms to use their influence in Congress to cut funding to the agency:

> Such an outcome would hurt not just the auditor independence roles. It would also impact the SEC's ability to take on any new projects or carry out its day-to-day responsibilities to police the stock and bond markets, oversee the mutual fund industry, and monitor thousands of public company filings. The possibility of a drawn-out legal challenge also gave me pause. (Levitt, 2002: 133)

It would be incorrect to represent the process of data collection and analysis as neatly ordered and designed in advance of fieldwork. On the contrary, because events were unfolding, we adopted an opportunistic approach. Nevertheless, our procedures are consistent with criteria recommended for establishing data "trustworthiness" (Lincoln & Guba, 1985: 301): both authors had "prolonged engagement" with the research site both before the present project and during real-time data collection; we "triangulated" sources of data; the SEC hearings were a form of "stepwise replication"; and we used "member checks," verbally presenting our emerging framework on separate occasions to two regulators and two senior partners.

CASE ANALYSIS

This section describes, first, the chronology of the case study, outlining the shift toward the new organizational form. Then, we elaborate each of the four dynamics. Finally, we sequence the dynamics into a process model of entrepreneurship.

Research Setting

Our setting, the field of professional business services in Canada, consisted of firms providing advice to corporations and governments on business matters. Several professions are active within the field, including accounting, which was our primary focus, and law and management consulting. The field is thus segmented by professions that claim jurisdiction over the authoritative provision of advice underpinned by particular, abstract bodies of knowledge. The accounting profession claims the exclusive right to provide services involving the interpretation of financial data. The legal profession claims authority over the interpretation of statutes. Until recently, the boundaries between the accounting and law professions in this field were relatively settled. Even though the two professions overlapped in the provision of tax services, potential conflicts were traditionally contained amicably, until the emergence of multidisciplinary practices (DiPiazza, 1999).

Accounting has a clearly defined elite center—the Big Five—delineated by their size, revenues, clients, and reputation. By the end of the 1990s, the Big Five each employed over three and a half times the number of accountants in the next largest firms and audited almost 75 percent of the world's 25,000 largest companies (CIFAR, 1995). Not surprisingly, they enjoyed an elite reputation (e.g., *Public Accounting Desk Book,* 1996: Ch. 4). Furthermore, they saw themselves as a distinct group, met regularly, and acted together in their lobbying efforts before governments. They constantly monitored and mimicked each other. The Big Five collectively pioneered multidisciplinary practices and, when these practices came under attack, it was the Big Five who leapt to their defence.

Until the 1990s, the dominant institutional logic within the field prescribed an organizational form variously referred to as the Cravath (e.g., Sherer & Lee, 2002) or "P^2" form (e.g., Greenwood, Hinings, & Brown, 1990). This organizational form downplays use of formal hierarchy and emphasizes collegial controls, such as teams, committees, and taskforces. Full-time management is disdained. Instead, professionals (i.e., accountants in accounting firms, lawyers in law firms) are elected to manage-

rial positions, often for limited terms. Human resource practices emphasize technical competence, especially for promotion to the rank of partner. Compensation is often based on seniority (in the lockstep system) so as to promote collegiality and to avoid giving undue emphasis to commercial criteria. Formal marketing is nonexistent and regarded as unprofessional. Formal knowledge management systems are not used. The organization is arranged around services delivered by a *single* profession. Underlying these practices are values that stress the professional craft, highlighting objectivity, service, integrity, and standards.

In the 1980s and 1990s, a new organizational form emerged: multidisciplinary practice (Powell, Brock, & Hinings, 1999). Its emergence occurred in two phases. The early phase, beginning in the mid 1980s and extending to 1997, was characterized by a progressive extension in the services provided by the largest accounting firms, first into forensic accounting and litigation support, and then into expanded management consulting services. New personnel with nontraditional skill sets were hired to provide these services, altering the demographic character of the workforces in the Big Five. The emerging organizational form emphasized the cross-selling of services. Opportunities for growth were pursued through deliberate and explicit marketing. Human resource practices, including promotion to partner, emphasized the importance of commercial acumen. Management structures became more formalized. Formal knowledge-management systems were introduced. Underlying these structures were the values of commerce, individual accountability for performance, and the importance of servicing large corporate clients. Table 2 summarizes both the traditional and multidisciplinary practice forms.

Initially, the new form was not challenged, neither within the profession nor by government regulators. In 1997, however, the second phase of multidisciplinary practice evolution began, when Ernst & Young established a "captive" law firm in Toronto, an event soon followed by announcements that U.S. law firms were targets for acquisition (American Bar Association [ABA], 2000). For the first time, multidisciplinary practices had breached the boundaries of a highly institutionalized profession and blatantly challenged the prevailing institutional logic, which prescribed that professional services be provided by firms dominated by *one* profession. The consequence was a strong regulatory response. The CBA, soon followed by the ABA, quickly announced formal inquiries into multidisciplinary practices. By 1999, all but four U.S. state bar associations had established investigatory committees (ABA, 2000). Regulators of securities exchanges, in both Canada and the United States, also reacted against the multidisciplinary practice but focused upon the conflict of interest in providing both consulting and audit services to the same client. The SEC was especially alarmed, perceiving the multidisciplinary practice as threatening the integrity of the capital market system (Levitt, 2000). In July 2000, the SEC announced its intention of severely curtailing the multidisciplinary aspirations of the large accounting firms.

The Big Five responded aggressively. Three firms threatened to sue the SEC. The SEC's chairman, Arthur Levitt, came under intense pressure from politicians and lobbyists to minimize the impact of any proposed rules (Levitt, 2002: 241) and to delay action until the next presidential election, when, it was anticipated, Levitt would be replaced. Initially, the SEC bowed under the pressure from the Big Five. However, the collapse of Enron and the demise of Arthur Andersen raised questions about the independence of auditors in multidisciplinary practices. It provoked such an outcry amongst politicians previously supportive of the Big Five that legislation (the Sarbanes-Oxley Act) was enacted, which ended the Big Five's version of the multidisciplinary practice.

So why did the Big Five introduce a new organizational form, especially one that engendered a regulatory backlash and a strong negative reaction from neighboring professions? We suggest it was the combination of four dynamics: adverse performance, boundary bridging, boundary misalignment, and resource asymmetries. Underlying these dynamics is the trade-off or tension between market discipline and the need for social legitimacy. Where market forces become more pronounced, it is not surprising that institutional forces may become less salient. A natural starting point, therefore, is to examine performance considerations.

Adverse Performance

The annual reports of the profession show that for the accounting profession as a whole the end of the 1980s and the early 1990s was a period of tightening competition. But until 1991 the Big Five were experiencing double-digit revenue growth. Table 3 presents a comparison of the financial performance of the Big Five in Canada and other accounting firms. Both Tables 3a and 3b show that the Big Five firms benefited *more* than smaller firms. Long after the emergence of the multidisciplinary practice, the Big Five's market share was rising (see Table 3a). Annual changes in revenues reveal a similar pattern; prior to 1996, the growth of

TABLE 2
Comparison of Cravath-Style Organizational Form with Multidisciplinary Practice

Elements	Traditional Cravath-Style Form	Multidisciplinary Practice
Strategy	Provision of narrow range of services	Provision and cross-selling of a diversified range of services
	Clients vary in size	Focus on large, especially global clients
	Professionals are generalists	Expertise in specific industries
		Professionals specialize by function *and* industry
Management	Division of labor based on services (e.g., audit, tax) focused on the local office	Division of labor based on service line *and* industry, focused on national/international scale
	Coordination primarily achieved via committees	Coordination achieved by formal hierarchy supplemented by project teams
	Few, if any, specialized or full-time management positions	Specialized and full-time management positions
	High partnership involvement in strategic decisions	Authoritative decision style
	Consensus decision style	Formal client management systems
Marketing	Advertising prohibited; emphasis upon personal networks	Formal marketing ("branding")
	No specialists	Professional marketers used
Human resource management	Unitary (one profession) workforce	Diverse (multiprofession) workforce
	Emphasis upon technical expertise as criterion for promotion and compensation	Emphasis upon commercial acumen as criterion for promotion and compensation
	No human resource management specialists	Professional human resource management specialists
	Decentralized profit pool	Centralized (global) profit pool
	Weak accountability for performance	Accountability linked to compensation
Knowledge management	Informal networks	Formal, centralized knowledge management systems
Underlying values	Professional services as a craft	Professional services as a business
	Collegiality, consensus, and professional autonomy	Accountability for performance
	Primary mission is to serve clients, but "objectivity" is critical	Primary mission is to serve very large clients

the Big Five was superior to that of the next 25 firms in all but two years (see Table 3b). Thus, the idea that pressure for change is more likely to come from disadvantaged organizations is not borne out here. There was nothing unique to the market situation of the Big Five suggesting that it would be they, rather than peripheral firms, who would seek change, nor any indication of the direction that change might take.

Nevertheless, the Big Five were concerned in the late 1980s over their ability to sustain their historical performance. Our interviews with leaders in all three firms made it clear that they assessed their performance relative to other members of the Big Five and to their own historical results. There were no references to the performance of smaller firms. We heard concerns in all three firms over whether market share was being lost to other Big Five firms. As one senior partner in firm A stated: "We watch each other all the time. It is critical to be in the elite group. That gets you to the table. One of the reasons for the megamergers is that no one wants to fall into the second tier." We also found that each of the Big Five was very aware that historical growth rates could not be sustained by focusing upon audit services. Furthermore, faltering growth rates were seen as directly threatening not only partners' incomes, but also the ability to retain and hire the

TABLE 3
Performance of the Big Five in Canada Compared to the Industry, 1989–2000[a]

(3a) Market Share

Firm	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Big Five	70	n.a.	70	72	75	75	75	76	79	78	78	79	79
Next 25	30	n.a.	30	28	25	25	25	24	21	22	22	21	21

(3b) Change in Revenues

Firm	1987[b]	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Big Five	14.3%	13.1%	12.2%	13.0%	4.6%	2.1%	(0.1)%	4.5%	4.3%	9.8%	15.6%	9.4%	9.3%[c]
Next 25	12.6%	n.a.	11.0%	(2.7)%	(7.2)%	3.2%	(2.5)%	(8.1)%	(6.1)%	17.1%	3.8%	12.4%	12.2%

[a] Source: The *Bottom Line.* Market share was measured as proportion of revenues.
[b] Figures for 1987 are for the top 25 firms.
[c] Ernst & Young is excluded.

very best professionals, who were being lured by the dot.com boom. Thus, the economic interests of the Big Five were an evident *motivating* dynamic, indicating an increasing contradiction between conformity to the traditional institutional logic of exclusively providing accounting services and adoption of a new logic that emphasized opportunities for providing multidisciplinary services.

Boundary Bridging

Performance concerns may (as in our case) cause dissatisfaction with existing arrangements, but to attribute the behavior of the Big Five solely to "the raw importance of money" (Covaleski et al., 2003: 333) would be to offer an incomplete and misleading storyline. Our interviews thus probed where the idea arose for the provision of consulting services. The clear response was that consulting opportunities emerged from relationships with large clients. Growth in international trade and extensive merger and acquisition activity during the 1980s and 1990s resulted in complex, transnational corporations confronted by novel managerial and organizational challenges. Senior partners in all three firms reported that demand for consulting advice came from their large corporate clients and that the demand intensified in the early 1990s. These interview responses were confirmed by testimony given in the SEC hearings, where each of the Big Five defended multidisciplinary practices as a response to client demands (SEC, 2000). The CEO of Arthur Andersen was very clear: "It wasn't because our predecessors were geniuses and said, we need more revenue. It's because our client said, 'Fix that problem. And we think that's in the public interest.' The same theme runs through the annual reports of the association, which repeatedly proclaimed it was the 'duty' of the profession to respond to clients by broadening the services offered."

An important factor, in other words, explaining why it was the Big Five (and not other firms) that initiated change, was their almost exclusive interaction with the very largest international clients. Through their virtual monopoly of audit engagements—by 1992 they audited 96 percent of the assets of the largest companies worldwide (CIFAR, 1995)—the Big Five enjoyed unique access to the world's most powerful corporate clients and through them learned of nascent consulting opportunities that offered a solution to their falling revenue growth, opportunities not readily apparent to other firms. Even second-tier accounting firms had very limited exposure to these opportunities. Laventhal & Horvath, the largest of the second-tier firms, had only three audit clients with sales over $1 billion in this period. By 2000, 40 percent of the consultancy work performed by the Big Five was for their own audit clients (*Public Accounting Report,* 2000).

The picture, then, is of the Big Five benefiting from superior access to new opportunities that they gained because of their structural position within the organizational field. Their position exposed them to incompatible logics and these incompatibilities, in turn, prompted reflection. This observation raises an aspect of network location insufficiently embraced within institutional theory. Institutionalists tend to view networks as constraints, as vehicles by which norms are diffused, resulting in convergence around common practices. But a different theme within network theory frames networks as opportunity structures. According to Burt (2000), a critical feature of an organiza-

tion's network position is its relationship to "structural holes," or social spaces between organizational clusters. Organizations *within* a cluster are densely tied to one another but loosely connected to others (Baum & Ingram, 2002; Baum, Shipilov, & Rowley, 2003; Gulati & Gargiulo, 1999). Further, organizations within a network cluster develop shared norms and conventions (Uzzi, 1997). Organizations bridging structural holes (in our study, the Big Five), more readily become aware of alternative conventions. A similar idea is provided by Boxenbaum and Battilana (2004), who noted that actors moving between fields "transpose" ideas (see also Sewell, 1992). In effect, a network position that *bridges* fields lessens institutional embeddedness by exposing actors to interinstitutional incompatibilities, increasing their *awareness* of alternatives.

Boundary Misalignment

In order to service transnational clients, the Big Five became transnational in scope. In 1985, the largest number of countries covered by an accounting firm was 97, by Coopers & Lybrand. Ten years later, KPMG operated in 152 countries. This combination of expanding scale, geographical complexity, and technical sophistication increasingly rendered unworkable organizational structures and processes focused upon local jurisdictions and collegial arrangements. New structures and processes became necessary. For example, the heightened intricacy of their clients' operations prompted accounting firms to specialize in particular industries and to structure themselves on a worldwide basis along industry lines. The scale of audit assignments led to client management teams that transcended national boundaries (Rose & Hinings, 1999). Formal knowledge management systems were constructed, intended to transmit experience across global firms (e.g., Sarvary, 1999). Profit pools, from which partners' incomes were drawn, moved from local offices or national firms to the regional (e.g., North America) or international firms, reinforcing the primacy of the global dimension. These changes in structure, work processes, and compensation practices, which occurred in all of the elite firms during 1986–95, lifted the center of gravity away from the local office to the international firm. But—and this is a key point—*the regulatory structures of the profession remained geographically fixed at the provincial level,* creating misalignment between the evolving organizational form of the Big Five firms, as they became isomorphic with their international clients, and the stable and much more localized jurisdiction of the profession established almost a century earlier.

The CICA, responsible for development of uniform standards of practice and the overall development of the accounting profession in Canada, was founded in the first decade of the 20th century (McKenzie-Brown & Phillips, 2000). Provincial associations, such as the Institute of Chartered Accountants of Alberta (ICAA), responsible for licensing, certification, training, inspection, and discipline, were also established in the early 20th century. Hence, the infrastructure of the profession was put in place *before* the international growth of the largest firms. In effect, regulatory boundaries reflected the early phase of the accounting profession's history. Moreover, these boundaries were aligned with political boundaries (i.e., the provinces,[2] making them less, rather than more, flexible, because the authority of the profession (e.g., the right to license and discipline) was encoded in the laws of multiple jurisdictions.

By the 1990s, the static regulatory structures of the field were inappropriate for the expanding scale and sophistication of its larger players. The profession could no longer meet the training requirements of its elite firms nor effectively monitor their activities (a point elaborated below). The Big Five firms had outgrown their institutional moorings. Misalignment of regulatory and market boundaries is an example of Seo and Creed's (2002) nonadaptability contradiction—that is, the inability of a prevailing institutional logic (in this case, one centered upon local jurisdictions) to change despite fundamental shifts in circumstances.

Oliver's (1991) crucial reminder that the influence of institutionalized practices depends upon their continual reinforcement is, we believe, correct, but our case illustrates that even where the routines of reinforcement continue, field-level change may still occur if actors become distant and thus immune from institutional effects. The potency of institutional processes, in other words, whether normative or coercive, is a function not simply of their recurring strength but also of the receptivity of recipients, *which can change*. Economic and institutional forces, unfolding over time, can result in contradictions between technical-market boundaries and institutional-regulatory boundaries. Misalignment of boundaries, moreover, is more likely to affect elite than peripheral organizations because these organizations reach the necessary scale and scope to produce our fourth dynamic, asymmetries in resources.

[2] Canada's provinces are the equivalent of U.S. states.

Resource Asymmetries

Institutional theory suggests that normative and/or coercive processes sustain prevailing logics by exercising a centripetal effect, especially upon organizations embedded at the center of a field (Mazza & Pedersen, 2004: 883). Such pressures to conform *were* operant, and partners in the Big Five were sensitive to their membership in the accounting profession. Respondents in the three firms referred to "our profession," to wishing to remain "members of the profession," and to "the importance of upholding the integrity of the profession." Further, the Big Five actively sought legitimacy for multidisciplinary practices by participating in debates within the profession (Covaleski et al., 2003; Greenwood et al., 2002). For accountants in the Big Five, in other words, it mattered that their actions be approved by the profession.

So why did institutional pressures not hold elite accounting firms to the prevailing logic? In addressing this question, we distinguish between institutions as formal rules conveyed and enforced through coercive processes, and institutions as internalized cognitive schemes diffused through normative socialization. Both forms of institutional pressure, we found, were undermined by resource asymmetries between regulators and the Big Five.

Coercive processes. Provincial associations review the quality of audit work performed by their members and are responsible for enforcing conformity to institutionalized practices. But according to one managing partner, "The association reviews our office periodically. To us, it's Mickey Mouse. Our standards are so much higher than their requirements that we don't really worry. I mean, we care: the review matters. But when we really sweat is when our national office reviews us . . . they're the ones that matter." The disparity between the importance of in-house and external reviews became further apparent as we traced how inspections were conducted. The provincial association could inspect any audit file *but only for work conducted at the provincial level*. That is, even where a file involved a national or international client, the association would review work performed *within* the province but had no access to files located elsewhere, limiting its monitoring capability. Further, the complexity of the audit methodologies the Big Five used was usually beyond the experience of those conducting reviews. As the managing partner of a local office reported, "Two practitioners came in last year from small or medium-sized firms and all they did was go 'Wow!' "

The ability of the professional association to regulate the Big Five firms was severely constrained not only by the asymmetry in technical capability, but also by asymmetries in political and financial resources. In Canada, as of 2001, the Big Five comprised approximately 22 percent of the accounting profession (excluding retired members) and employed 55 percent of accountants working in accounting firms. Inevitably, this scale of membership is an important *political* resource should the Big Five wish to exercise influence within the profession. On issues such as the multidisciplinary practice, the accounting profession followed the Big Five firms, not the other way round. For example, Ernst & Young's ambivalent stance toward the profession is indicated by its decision not to advise the professional association of its intention to acquire a law firm. One managing partner boldly stated: "They're [the association] not driving the process. It would be crass to say they are irrelevant. But I think that if you found us heading down a particular road for business reasons, we would not let the association get in the way. Really, the association has to follow." An executive of the professional association acknowledged the strength of the elite firms: "We used to think of the . . . [Big Six] . . . as ours. Not any more. We're rethinking our relationship with them."

Both the accounting and legal professions were cautious of the financial strength of the Big Five. Asked whether they would challenge the Ernst & Young decision to acquire a law firm, one response from the law profession was pragmatic:

> [We] could not afford lengthy litigation with a Big Five firm. We simply do not have the resources and . . . it would be a disaster. There was a similar situation a few years back where we had a dispute with a big accounting firm and the cost forced us to settle it.

A more dramatic example is provided by the Big Five's aggressive response to the SEC's attempts to stop the advent of multidisciplinary practices. The general counsel of the SEC summarized the resources available to the Big Five:

> From the outset we were threatened with litigation . . . at one point the Big Five accounting firms that opposed the rulemaking had retained much of the heart and brains of what turned out to be the Bush election dispute legal team and the Gore election dispute legal team. Our would-be opponents spoke openly about attacking any final rules through legislative action as well. (Becker, 2001: see also Levitt, 2002)

Negotiations between the Big Five and the SEC resulted in the latter relenting on its original position, until the Enron collapse dramatically tilted the debate.

The ability of the Big Five to obstruct or even

reverse coercive pressures was aided by their willingness to act collectively. The small number of organizations involved enabled regular interactions and a strong sense of common interest. The Big Five's senior partners perceived themselves and were reported in the media as being an elite sharing a common reputation. Their clients had similar corporate interests, drawing the Big Five together as they sought to protect those interests. In Canada, people from the Big Five met monthly to review their relationships with regulators and the profession. An exchange between the SEC and a prominent lawyer (Eisenhofer, 2000) involved in a series of lawsuits illustrates the Big Five acting together:

> *Mr. Eisenhofer:* I think they [the Big Five] are somewhat protective of each other.
>
> *Commissioner Hunt:* You mean they are reluctant, for example, to testify against one another in litigation.
>
> *Mr. Eisenhofer:* I believe it's more than reluctant.
>
> *Commissioner Hunt:* Do they ever?
>
> *Mr. Eisenhofer:* Not that I am aware of.

Normative processes. A crucial means by which norms and expectations are conveyed is through training programs. Training in the Big Five, however, was provided in-house, meaning that their professionals were exposed to the firms' values, not those of the profession. Attendance lists for courses offered by Alberta's professional association showed that, in the late 1980s, the Big Five moved their training in-house. This exodus from provincially provided courses occurred because the belief current in the Big Five was that the profession's courses lacked the necessary technical sophistication. Further, training became seen as a way of diffusing common values throughout the increasingly dispersed firms. A partner in firm A referred to its world training centers as providing "the cultural glue that holds [the firm] together." Another of the Big Five, firm C, though less centralized, was equally committed to in-house training, according to one senior partner: "We hired a firm of consultants and it was very clear from their report that. . .to integrate the firm globally. . .we had no choice but to develop a single culture worldwide. And that would require common training." Significantly, the Big Five had the resources necessary to support extensive in-house training on a global scale.

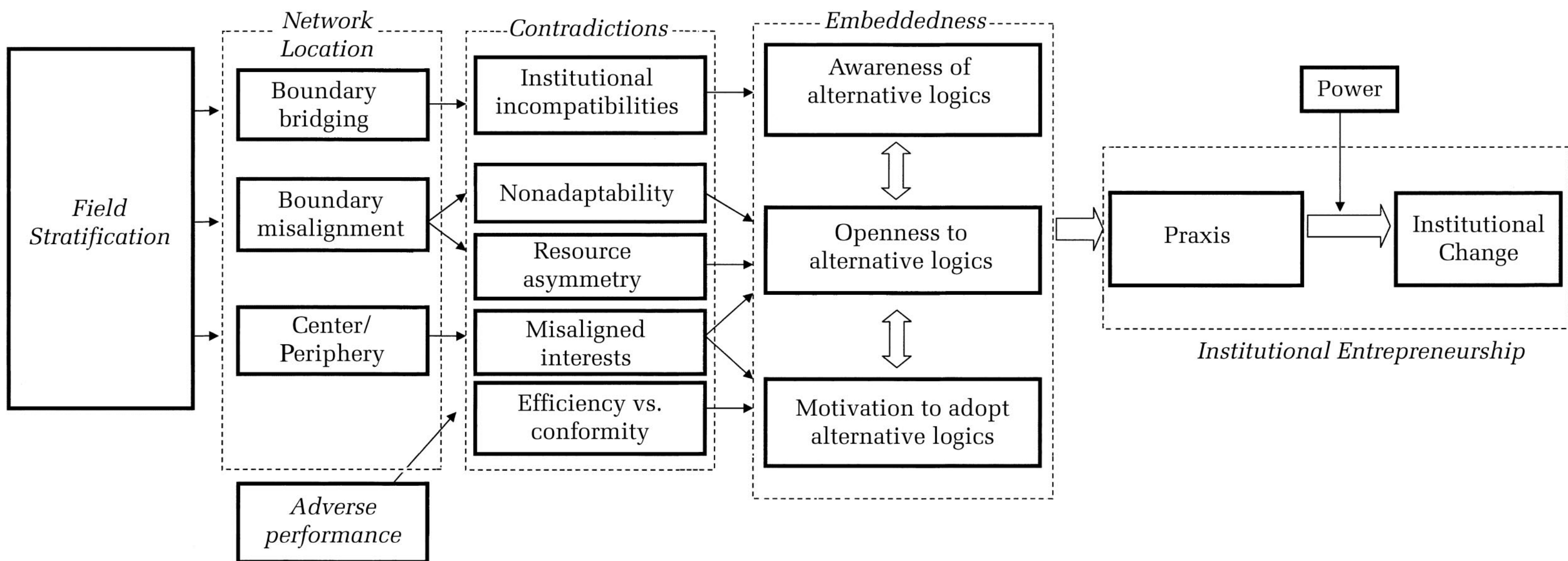
Participation in the profession's activities is another way by which institutional logics are conveyed normatively. But according to one provincial association executive: "There are fewer presidents [of the association] from the Big Five. Filling that or similar roles is less acknowledged within the firm as something that is important to do. There are individual exceptions, but by and large we don't get the same commitment as before." Therefore, we looked at how far the elite firms were represented on the Board of Governors of the CICA and on the Council of the ICAA. The picture is not clear-cut. At the provincial level, until 1994 elite firms typically occupied upward of 40 percent of the positions on the ICAA Council; thereafter the figure was closer to 30 percent. The pattern at the federal level is more uneven, with participation varying from year to year from 30 to 54 percent (in 1988). After 1995, however, representation in two years was below 20 percent. Overall, these participation rates indicated the Big Five remained part of the governing forces of the profession, but there was a suggestion of a decline in the last decade of the period we examined.

The statistical picture may obscure an underlying process of disengagement, reflected in the status of those involved. As the above quote indicates, members of the Big Five active in the profession were frequently not the most senior members of the firms. One reason was the influence of the multidisciplinary practice, especially its emphasis upon revenue generation and the new system of linking compensation to individual performance. As a partner in firm B bluntly pointed out, "The old system guaranteed a minimum income standard for all partners . . . but we can't go on like that. We can't have people who have semiretired on the job. . . . You have to reward market movers." The same partner recognized that "being active in the profession takes the partner away from generating fees, which affects his pocket. So he is less inclined to do it."

In summary, resource asymmetries resulted in normative and coercive processes exercising a waning influence upon the Big Five. The Big Five became too large to be effectively regulated by their profession, and the complexity and scale of their activities led them to provide training in-house, reducing their exposure to the profession's normative influences. The contradiction here, we suggest, is not one anticipated by Seo and Creed (2002); it is that the object of regulation became more powerful than the regulators. Consequently, the Big Five firms became less constrained by institutional processes and more *open* to alternative logics.

Ultimately, the collapse of Enron and the demise of Arthur Andersen raised questions about the independence of auditors in multidisciplinary practices. It provoked such an outcry among politicians previously supportive of the Big Five that the Sar-

FIGURE 1
Process Model of Institutional Entrepreneurship



banes-Oxley legislation was enacted, ending the Big Five's version of the multidisciplinary practice. In one sense, therefore, the demise of multidisciplinary practices in this context shows the reassertion of regulatory control and a sudden restoration of the *political* resources available to regulatory agencies, but this reassertion required an extraordinary event to push back the Big Five, indicating the significance to that moment of resource asymmetry.

A Process Model of Institutional Entrepreneurship

We have reported that the Big Five firms were (1) *motivated* by adverse performance feedback, (2) *aware* of alternative possibilities through their unique access to global clients, and (3) *open* to new ideas because of the significant asymmetry of resources caused by the widening misalignment of regulatory and market boundaries. Using these observations, we now propose a process model of elite institutional entrepreneurship in a mature organizational field and offer insights into the paradox of embedded agency. Figure 1 summarizes our model.

Central to our model is that fields are not homogeneously structured, and they do not necessarily mature toward stability and equilibrium. Instead, they become stratified into specialized organizational communities, each with distinct network locations that result in differential exposure to field-level contradictions resulting in different and unfolding levels of embeddedness. Our central theme, in other words, has three components: first, that network location defines the institutional contradictions to which specific actors will be exposed; second, that contradictions affect the extent of an actor's embeddedness and thus how far behavior is institutionally determined; third, that fields evolve in such a way that the embeddedness of actors can, over time, increase or decrease. In this article, we are focusing upon the network location of central, elite organizations; therefore, our initial proposition is:

> *Proposition 1. Elite organizations occupy distinct network locations that expose them to field-level contradictions. These contradictions affect their institutional embeddedness and thus their capability for institutional entrepreneurship.*

Neoinstitutionalists have traditionally focused upon location as the distinction between center and periphery, leading to the assumption that central organizations will be deeply embedded within a field and thus blind to the possibilities of institutional change. Their interests, moreover, are aligned with prevailing logics. That is, per extant theory:

> *Proposition 2. Central organizations within an organizational field are embedded within, and privileged by, prevailing institutional logics; therefore, they are neither open to alternative logics nor motivated to introduce them.*

The model developed here adds two other aspects of network position: boundary bridging and boundary misalignment. These features counter the centripetal influence assumed in Proposition 2 by exposing organizations to contradictions that reduce embeddedness. Boundary bridging connects organizations to other organizational fields, resulting in their exposure to different institutional logics. Exposure to multiple logics, we have proposed, is an example of Seo and Creed's (2002) idea of institutional incompatibilities, in that bridging confronts an organization with new ideas and thus stimulates *awareness* of alternative possibilities. Boundary misalignment describes the relationship between the technical (market) scope of elite organizations and the scope of institutional jurisdictions. Boundary misalignment is an example of Seo and Creed's (2002) nonadaptability contradiction because regulatory boundaries are relatively inflexible, tied as they often are to political boundaries. As organizations outgrow their regulatory boundaries, their exposure to normative processes declines, a process resulting in weakening institutional effects and growing *openness* to alternative ideas. Boundary misalignment is also associated with a widening resource asymmetry between regulatory agencies and elite organizations, enabling the latter to overcome coercive pressures. This form of contradiction, in which the regulator becomes less powerful than the regulated, is an important addition to Seo and Creed's framework (2002). The contradictions of resource asymmetry and nonadaptability cause central organizations to become less influenced by institutional processes and thus more *open* to new logics.

Location within an organizational field, therefore, in terms of boundary bridging and boundary misalignment, increases the probability of central organizations acting entrepreneurially by making them both more aware of and open to alternative arrangements. That is:

> *Proposition 3. Central organizations occupying boundary-bridging locations are exposed to institutional inconsistencies, increasing their* awareness *of alternative possibilities.*

Proposition 4. Central organizations occupying boundary-misaligning locations are exposed to the contradictions of adaptability and resource asymmetry, increasing their openness *to alternative possibilities.*

To the extent that conformity to prevailing conventions does not serve the interests of organizations, they will be *motivated* to introduce change. This conclusion echoes Seo and Creed's "efficiency versus conformity" contradiction. Thus:

Proposition 5. Poor performance produces a contradiction between institutional conformity and functional efficiency, increasing the motivation to adopt alternative possibilities.

It is not possible to extrapolate the relative importance of the three components of embeddedness (motivation, awareness, and openness) from our case, nor to assess whether one triggers the others. For example, we cannot assess whether high dissatisfaction with performance motivates organizations to *seek* alternatives to existing arrangements. Such a sequence, though entirely plausible, is beyond our data. Here it suffices that all three components of embeddedness are necessary for institutional entrepreneurship. That is:

Proposition 6. Institutional entrepreneurship by central organizations is a function of embeddedness, which comprises the interaction of awareness, openness, and motivation.

Figure 1 shows that a decline in embeddedness results in the imaginative reflection and collective mobilization (i.e., praxis) to achieve change (Seo & Creed, 2002). The move from praxis to institutional change is not the focus of this study, but the multidisciplinary practice case indicates that collective mobilization involves three sets of resources: political, financial, and organizational. Further, we have shown firms can mobilize these resources to challenge regulatory agencies, contrary to the institutional literature, in which the power of elite organizations is typically associated with defense of the status quo.[3] Given that elite firms have significantly more resources than do peripheral firms, it follows that they are more likely to succeed in their efforts to achieve institutional change. Thus:

Proposition 7. Institutional entrepreneurship by central organizations has a higher probability of resulting in institutional change than do similar efforts by peripheral organizations.

CONCLUSIONS

The paradox of embedded agency resides in the emphasis given by institutional theorists to the taken-for-granted quality of widely shared social prescriptions that guide behavior. It is a mistake, however, to overstate the lack of reflection and agency in social action. DiMaggio (1988) criticized early neoinstitutionalists for equating institutional embeddedness with a complete absence of agency. Oliver (1991) offered a repertoire of strategic responses. More recently, Emirbayer and Mische (1998) noted that agency occurs even in institutional reproduction. Consequently, there is now greater sensitivity to the possibilities for endogenous institutional change and a growing interest in identifying the processes whereby it occurs. Responding to this interest, we have examined circumstances that enable firms at the center of a mature field to act as institutional entrepreneurs. In doing so, we have focused upon a set of actors not usually regarded as a likely locus of change because of their embeddedness and privilege. Indeed, we have, arguably, addressed the toughest example of embedded action because the paradox is at its most forceful for elite actors in highly institutionalized settings.

The theory put forward in this article unpacks the processes by which embeddedness is weakened and thus how the scope for action is enlarged. Drawing upon network theory and contradictions theory, we have identified boundary bridging and boundary alignment as neglected features of network location that, working through institutional contradictions, loosen the embeddedness of elites. Boundary bridging results in institutional contradictions and affects awareness. Boundary misalignment results in resource asymmetries and affects openness. We make particular note of boundary misalignment because it has received little, if any, attention in the institutional literature. In our case, boundary misalignment led to the Big Five withdrawing from the profession's training programs because they deemed those programs inadequate for their more complex requirements. But in so doing, the Big Five removed themselves from an important normative process. Boundary misalignment also led to a substantial asymmetry in re-

[3] The notion of status quo, as we use it here, refers to prevailing organizational forms. The move to the multidisciplinary practice was a challenge to the status quo. But the Big Five led this challenge in order to sustain their position of privilege. This implies that actors may overthrow institutional structures (such as organizational forms), rejecting the status quo of *how* to do things, but that underlying patterns of privilege may remain untouched, or even be strengthened—reinforcing the status quo of *who* benefits.

sources that enabled the Big Five to resist coercive pressures. Not only were the Big Five beyond the scope of the profession's *technical* capability, they even came close to undermining the SEC. When boundary misalignment and boundary bridging are combined with poor performance, elite organizations achieve the motivation, awareness, and openness necessary for institutional entrepreneurship.

Our contribution to institutional theory, therefore, has been to provide an account of motivated, endogenous change. Such empirical accounts are rare, especially accounts of such change in a mature setting. Moreover, by focusing upon central organizations as the source of institutional change, we have responded to recent calls for a better understanding of how agency may qualify institutional determinism. Our study is also an early attempt to combine two previously separated theoretical perspectives. It is also an early empirical application of how field-level contradictions affect embeddedness and contribute to change. Finally, we have extended contradictions theory by adding resource asymmetry between regulators and regulated as an important contradiction.

Much remains to be done. Our thesis needs examination in other settings. The accounting industry may not be typical. Its low capital intensity distinguishes it from manufacturing sectors, in which investments are thought to play a larger, inertia-inducing role (Tushman & Anderson, 1986). It is also considered one of the more commercial professions (Anderson-Gough, Grey, & Robson, 2001), a characteristic that heightens the role of commercial interests and depresses the role of normative processes. In more conservative professions, such as law, central organizations may anchor institutional practices in a way that the Big Five firms did not, although Sherer and Lee (2002) found mixed evidence for this possibility. Thus, we need more studies of where central organizations act as institutional entrepreneurs and of where they do not. Further, our case, ultimately, was a failed attempt at institutional change because the Big Five were mandated to desist from some of their multidisciplinary activities. It took an event of an exceptional scale, the demise of Enron, to overcome the Big Five's aspirations, but the onset of the multidisciplinary practice was halted. Studies of completed change attempts are needed.

Two other questions are worth future consideration. First, researchers ought to explore whether the dynamics surrounding emergence of a new organizational form are *typical* of institutional entrepreneurship. A new organizational form is a consequential instance of institutional entrepreneurship, but other types of change may not be activated by the same dynamics as those outlined here. Future research should examine how far the dynamics within our process model are generalizable. The second question that deserves attention, and the one that we believe offers the greater potential, is how the dissonance between institutional and market structures occurs and unfolds. This concern is long-standing in institutional theory, but the focus of previous work has been upon how different state-level regulatory regimes shape patterns of economic exchange (e.g., Nee, 1998; North, 1990). Our case highlights the need for attention to how the alignment between regulatory and market structures alters over time, why it does so, and with what consequences. Our proposition, which we offer to guide future research, is that field-level governance structures are relatively inertial and, even when they are eventually reformed, regulatory changes will *lag behind* the evolution of a field's elite actors. This observation raises the need to understand the contribution of different agencies to the construction and reproduction of field-level norms. The institutional logics of an organizational field are constructed and conveyed not only in the day-to-day interactions of field participants, but especially through agencies such as the state and the professions (Scott, 2001). In our case, the professions were significant in providing a logic of professional behavior. What is the relative influence of these agencies, and what are the circumstances that affect that influence? How influential are professional norms when required to stretch across very different organizational members, ranging from elite, central firms, to modestly sized, local firms? At what point can a stratified field be said to have decomposed rather than changed? We need studies of field dissolution as well as of field change.

Only when these lines of inquiry have received fuller consideration will it be possible to validate and elaborate the model outlined here. An adequate theory of institutional entrepreneurship and a more complete understanding of the paradox of embedded agency, we are proposing, will require comparative case analysis. This article's contribution to the broad purpose of understanding endogenous institutional change is its focus upon the dynamic role of elites, not as embedded defenders of the status quo and exemplars of institutional determinism, but as motivated agents of institutional change enabled, not constrained, by their structural position at the center of an organizational field.

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