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Managers Who Can Transform Institutions in their Firms:
Activism and the Practices that Stick

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Ordinary professionals often don't know their own strength. A powerful yet little-studied way large organizations can innovate is for groups of activist managers and professionals to join together to change routines and alter taken-for-granted ways of thinking. The evidence suggests such activism can be far more powerful than most people – including activists themselves – realize.

Such activism is gaining more attention. Kleiner (1996) wrote an early study. Recent work has documented campaigns in Shell Oil (Hamel, 1999), the World Bank (Wood and Hamel, 2002), and American Telephone & Telegraph (Muller and Valikangas, 2003). Activism has changed basic thought processes. It represents a new approach to enabling large, established firms to innovate, quite distinct from strategic planning (Ansoff, 1988), reliance on “emergent strategy” (Mintzberg, 1990), or the deliberate chief executive decision-making that journalists often celebrate. We argue -- drawing principally on data from impactful yet ultimately not fully successful activism at AT&T -- that activists who understand the political nature of institutional change can play key roles in enabling firms to meet environmental challenges. This will require, however, knowledge and skills that few activists have adequately demonstrated.

We suggest activists need to draw on recent theory of institutions -- the basic, taken-for-granted rules of the game in human systems. First, activists need to understand better the nature of institutions inside their organizations -- that they are automatically accepted as part of reality yet ultimately alterable, that they make it possible for activists to perform some vital tasks of renewal while making others enormously difficult. Second, activists need to understand the nature of institutional entrepreneurship. Institutional entrepreneurship theory shows how they can carry out the difficult political tasks of bringing together constituents to support new ways of doing things and then getting people accustomed to ways just different enough to work.

AT&T's Opportunity Discovery Department (ODD) became a hub for a sort of social movement (McAdam and Snow, 1997) in the organization aimed at rejuvenating it. Officially

established to examine technology futures and develop tools for scientific strategy-making, its people constantly promoted change they believed the firm needed to survive. They achieved remarkable, though partial, success. However, the firm's ultimate sale to SBC (which adopted the AT&T name) represented defeat of the venerable, pioneering company ODD sought to save.

Table 1 lists lessons from institutional theory and compares them to ODD's behavior and its results. In this chapter we first describe ODD's social movement, its successes, and its ultimate disbandment. Then we briefly consider the definitions of "institution" and their usefulness for practitioner challenges, suggesting an approach that we believe makes clear the institutional issues that activists confront. Finally, we outline what institutional theory could have taught ODD and can teach activists elsewhere -- practitioner-oriented understandings of institutions and deliberate institutional change. We compare what institutional theory teaches to ODD's behavior and draw new insights into institutions from ODD's experience.

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The ODD Movement in AT&T

Greg Blonder, a physicist and research manager, organized the Opportunity Discovery Department in 1995 in Bell Labs, AT&T's research unit. Senior executives chartered it to analyze large technological trends and develop strategy tools. However, Blonder intended much more - a way to awaken the firm for continuing large-scale strategic change. Ultimately ODD achieved dramatic successes. However, members did not plan how to cement relations with AT&T's most senior executives or deal with opponents. The unit and the movement were eventually disbanded. The account here is based on Muller and Valikangas (2003) and additional interviews, review of AT&T documents, and review of reports in the business press.

AT&T in 1995

When the movement began, Bell Labs was the world's most prestigious private technology laboratory. Created in 1927, it had invented the transistor and the UNIX operating system. When AT&T was a regulated monopoly, its predictable income provided generous support. In 1984, however, the U.S. Justice Department had forced the firm's break up. It spun off regional phone companies, leaving a smaller firm in the glamorous, less-regulated, but competitive long-distance transmission, telecommunications equipment, and technology services businesses.

The smaller AT&T failed in efforts to enter new businesses. It lost money selling computers and had great difficulty trying to create new local phone services. The now-independent regional companies, meanwhile, proved reluctant to continue buying from the former parent as it sought to compete with them. As wireless telephony and the Internet started to undercut core AT&T businesses, professional managers understood the developments far less than many Bell Labs scientists.

The firm had no effective way of changing its business models. Its Corporate Strategy and Planning (CSP) regularly prepared data on and projections of medium-term trends and required resources, but it had no credible mechanism for thinking in a radical way about large problems. Other firms were imitating AT&T, building high-quality, low-cost networks and continually reducing prices. AT&T did not seem to understand this as a threat. In fact, in 1996 the firm's chief financial officer would say:

AT&T's strategy is sound. We know that because of the many players in the marketplace with the same strategy (Muller and Valikangas, 2003, p. 110).

Later strategy documents recognized the problem as AT&T lost market share. As late as 1998, however, they rarely discussed underlying technical and market dynamics, saying that "executing well" was the key to success. In 1995 AT&T remained highly profitable and

supported more staff than necessary for its businesses. People who understood the technical and regulatory situation suspected, however, that this was unlikely to continue.

The Structure of a Movement

Blonder's successful technical career had enabled him in 1993 to persuade corporate executives to create the position of chief technical advisor for the firm and give him the job. However, he had achieved little influence over corporate strategy by 1995 when he founded the Scenario Planning and Business Department (as ODD was originally called). It had three people and was to analyze the long-term impact of technology on AT&T and develop or adopt tools (e.g., scenario planning) for more scientific strategy.

Blonder and the staff who joined him saw their real mission to be challenging the status quo so that AT&T could realize its potential. Soon after the launch of the initiative it had to be radically reorganized. Problems in computers and equipment manufacturing forced a second huge spin off, with AT&T reconstituting NCR Corp. (a computer firm it had purchased five years earlier) and creating Lucent Technologies as an independent equipment maker. The Labs were split between AT&T and Lucent, and Blonder appointed Amy Muller, a materials scientist, to head the re-named Opportunity Development Department, which now had eight members.

The unit worked hard to teach scenario planning, then a fairly new technique. (See de Geus, 1997.) Since many experts saw radical transformation ahead, scenario planning was a strong inducement to more realistic thinking. (Some scenarios were based on the processes that ODD suspected would turn long-distance into a low-cost commodity, for instance. Scenario planning facilitators asked, "What if [long-distance] minutes were free?")

However, the group pushed aggressively to do more. ODD was soon a small organization in the labs leading and supporting a corps of active allies among managers and professionals in much of the firm. It organized the Grass-Roots Network of Strategic Thinkers (GNOST), which eventually included 450 managers and professionals. ODD communicated with the network through a newsletter (called "No Surprises"), a series of meetings called, "Not Your Usual

Research Seminar,” and annual off-site scenario-planning events where most parts of the corporation were discussed. Meetings frequently attracted fifty to seventy professionals. The network put the department in touch with specialist experts on most issues. Rebels within many business units got in touch.

Ideas from strategic planning / scenario-making meetings became part of the people's plans and talking points. The creative ferment eventually encouraged AT&T's largest business units to ask ODD to help them develop strategies although senior corporate executives had not been consulted about ODD's initiatives.

ODD, meanwhile, reveled in being seen as unusual. Its name was chosen with understanding that the acronym would be pronounced “odd.” It developed offbeat slang. Network members would describe the current state of telecommunications management as a “confusopoly.” Charts with key information of which the relevant executives were ignorant were called “ignorance maps.” “Naked emperors” were misguided executives with delicate egos whom no one was willing to confront.

ODD staff and many GHOST members called themselves as “ODDsters.” In addition to promoting scenario planning and irreverence, they conducted serious strategic research and presented seminars on strategy issues.

As a department in the labs, ODD had prestige but was not initially perceived as a threat to power centers. Its direct employees had scientific backgrounds – psychology, chemistry, biology, physics, engineering, materials science. Only one had business management experience – a psychologist with an M.B.A. who had managed parts of a switching system unit. Many outsiders leveraged organizational slack to work on ODD-inspired projects. They rarely seemed to be trying to advance their careers. (Few showed interest in becoming general managers, and performance appraisal systems did not reward contributions to corporate strategy.) Some were inspired by desire to make a difference. But the smart-alecky tone of much ODD work suggests another reason for participation. ODD work was often fun.

Some ODD Tactics

Seeking to promote unconventional, skeptical thinking, ODD researched strategic issues such as Internet Protocol version 6, a new standard for how computers should communicate. IPv6's system for "resource reservation" – ensuring that a continuous data stream such as human speech received what it needed from the Internet -- had obvious implications for low-cost human voice transmission in competition with AT&T. Yet corporate strategy people in AT&T knew nothing of the protocol and the firm's established institutions provided no way of ensuring they found out. ODD prepared a paper explaining it.

The movement also sought statistics it could package powerfully. Shocking facts were called "data bombs." For instance, it took AT&T 75 years to acquire its first 50 million telephone customers; it took America OnLine just two years to acquire its first 50 million chat users. "Freight trains" were long-term trends likely to flatten AT&T's business model, the decline in long-distance prices, for instance. Competition and technology had driven prices from above 60 cents a minute in 1985 to 10 cents in 1997. Many believed such declines could not continue. An ODD graph showed prices had been declining rapidly since at least 1935 (Figure 1). ODDsters argued this showed AT&T's strategy of getting most revenue from per-minute long-distance charges was a "dead squirrel" on the train tracks.

INSERT Figure 1 ABOUT HERE

GHOST members volunteered to "help" with internal newsletters. ODD saw many up-and-coming executives – M.B.A.s poised to move into general management -- as "empty suits." It sought to "infect" them with ODD ideas and measured success by whether it heard them using ODD ideas as their own.

ODD's dialogue with upper management, on the other hand, was sporadic. Most ODDsters were unwilling to fight for time with top managers. ODD had hired one staff member from outside AT&T, however, Anders Fernstadt, a Swedish journalist whom Muller met at a

conference. Fernstadt, excited to hear about ODD, had bombarded its staff with thoughtful emails. Deciding that such a zealot might be helpful, they hired him. As hoped, he marketed ODD's ideas with passion. At the end of a trip to Seattle, for instance, Fernstadt called an executive vice president whom he knew had flown there on the corporate jet. Would he mind giving Anders a ride home? Fernstadt gave an intimate executive tutorial on Internet Protocol ver. 6 on the plane.

Corporate Strategy and Planning's annual strategy document - supposed to consolidate strategy work of the past year - became a dramatic "infection point" for ODD ideas. Lower-level corporate strategy staff did not relish writing it, and it was not widely read. In 1997, however, ODD volunteered to "help." The resulting paper clearly articulated AT&T's challenges and ways of dealing with them. It impressed AT&T chief executive Robert Allen, who had a glossy cover created and distributed copies to the board of directors.

A Social Movement as a Response to AT&T's Problems

The data above suggests that AT&T was hobbled by institutionalized behavior that prevented it from changing and that the ODDsters represented a genuine social movement promoting transformation. To see a strategy as appropriate because it is the same as other firms' in its industry is common in institutionalized organizational fields (Scott and Meyer, 1991), but inconsistent with success in competitive fields where many firms doing the same thing quickly turn a profitable product into a commodity (Porter, 1980). AT&T's planning resembled systems described in Grant (2003), who notes they help firms adapt to turbulence but rarely support non-incremental innovation.

The response of Blonder, Muller, and their associates embodied each of the elements of McAdam and Snow's (1997) definition of a social movement: "(1) collective or joint action; (2) change-oriented goals; (3) some degree of organization; (4) some degree of temporal continuity; (5) some extrainstitutional collective action." (We say the work represented extrainstitutional

action because it violated both official rules that defined ODD's tasks and informal understandings of what scientists and other low-level professionals did at AT&T.)

For survival, this movement required support inside AT&T's dominant coalition. Senior executives could have fired participants. However, there was good reason for many to support or tolerate the ODDsters' work. Though they had not created means to address them, many senior executives did recognize that the company faced huge challenges. ODDsters, coming from Bell Labs, were given leeway to think about them.

ODD's Strengths and Weaknesses

By 1997 ODD was making significant contributions. In May executives of AT&T's \$26 billion-a-year consumer business asked ODD to help them develop a new strategy. The result called for migrating AT&T home users to AT&T Wireless as the sale of stand-alone long-distance became less viable. AT&T's chief executive, executive council, and board of directors all reacted favorably. Later the Business Network Services and wholesale business units also asked for ODD strategy help.

Thus the ODDsters had accomplished a great deal. They had brought focus to overwhelming problems. They were helping senior executives develop solutions.

However, ODD also had real weaknesses. What exactly was ODD trying to do? It was successfully calling attention to problems. However, if the goal was to encourage real business achievement, ODD did not seem to be addressing the whole of the challenge. ODD often seemed to take for granted much of the institutionalized system that marginalized researchers. When the ODDsters referred to a rising executive as an "empty suit" and sought to "infect" him, they were thinking like gadflies rather than players. A list of ODDsters' reflections of what they could have done differently included "avoided us vs. them mentality that may have created some confrontation," and "turned down their slight intellectual snobbism" (Muller and Valikangas, 2003, p. 117).

ODDsters never developed a clear and coherent approach to top management or to Corporate Strategy and Planning – although top management would inevitably have to lead the transformation they were seeking. (The reflections list also includes a statement that they should have “sought to address higher audiences in top management in a more systematic manner.”) Moreover, ODDsters gave little thought to how to deal with challenges to their influence.

The Fall of ODD -- and AT&T

Building a movement around knowledge of the dangers an organization faces is hazardous. People who understand your message may leave. During 1997, several key movement members left. Departures culminated in November when Greg Blonder left the firm soon after a journalist published his off-the-record thoughts about the future of network evolution. (He is now a prosperous venture capitalist (Blonder, 2005)).

The departures, especially Blonder's, put ODD in a vulnerable position just when it was achieving success that might have led to real power. Neither the head of the labs' research division nor the head of Corporate Strategy and Planning supported ODD's work. The research division head who had approved the ODD's creation had left AT&T soon afterwards. His replacement opposed general distribution of ODD analyses.

Blonder had been able to ensure financial support. But he came to believe that he was losing the long-term battle. After his departure, skeptics asked why AT&T Labs was funding a unit whose work seemed to duplicate Corporate Strategy and Planning's. ODD members suddenly were asked to explain their achievements in performance reviews in terms of standard lab measures. How many patents had they filed? None. How many technical papers published? Not many. Corporate-level impact was not a criterion. The claim that ODD had been creating a network of strategic thinkers was met with derision. Within eight months of Blonder's departure, ODD was disbanded.

Two staff members found new jobs in AT&T's established strategy units, but they had limited influence. AT&T's board soon hired Michael Armstrong, former Hughes Electronics

chief executive, as CEO. Armstrong changed AT&T's ways, seeking through bold moves to reposition the firm as solution for all consumer telecommunications needs. However, he made little use of scenario planning or networks of informed experts. In 1998 and 1999 AT&T spent \$102 billion to buy cable television companies, seeking to deliver video, Internet, and phone service over the cables. This turned out to be more complex than Armstrong's analysis had indicated, however, and he had to reverse the strategy and sell the cable companies for \$30 billion less than the purchase price. The focus on cable, moreover, caused AT&T to fail to move residential customers to wireless. The wireless unit was spun off and then sold. Competition destroyed long-distance telephone service as a business, and few other AT&T businesses succeeded. Finally in 2005, AT&T itself was sold for \$16 billion to SBC Communications, one of the local phone companies given independence in 1984. SBC took AT&T's name, but the firm after 2005 had completely different leadership from the firm where ODD had operated. The problems that ODD had recognized had destroyed AT&T as an independent corporation.

Dissipated Potential for Real Success?

All the data suggests that ODD's campaign had potential for creating real ability to innovate. ODD moved strategic thinking in AT&T toward much better cognitive management. It involved the company's best experts in important strategic analysis and brought about careful examination of scenarios. It opened the organization to intelligent consideration of new ideas and creation of credible new strategies for business units that had not had them. Within two years of its founding, it was surprising itself with its influence at the highest levels of the firm. Though opposition proved powerful, ODD clearly had potential to conceive strategic actions if not change them in ways that could have transformed its performance.

However, the data also shows the difficulties of strategic transformation through a social movement. ODD spawned opposition not only from managers who had reason to fear loss of their power but from the new head of Bell Labs who took for granted the existing system. Equally important, the ODD movement suffered from difficulties likely to plague social

movements of all kinds, including a lack of sophistication about political management. As mavericks, its members were inexperienced in or unwilling to deal with hierarchical power. They failed to plan for a workable coalition in the organization. While ODD's achievements were impressive, therefore, the unfulfilled potential of the movement was even greater.

ODD as an Institutional Change Effort

ODD's story shows the urgent need for activist managers but also the profound difficulty of their task. Institutional theory can help address the challenges. To make it useful, this section discusses how to define "institution" for practitioners. We also use our definition to show why ODD should be understood as an institutional change effort. This allows the following section to show what the literature on institutions can teach practitioners and how ODD's experience can inform institutional theory.

Defining "Institution" So Theory Can Relate to Practice

The study of "institutions" is notorious for diversity of definitions, which hampers dialogue. Fortunately Scott (1994; 2001) has cogently argued that competing definitions point to more-or-less the same underlying phenomenon. He points to the fable of the blind men and the elephant – the man who feels the head defines the elephant as "like a pot," the man who feels the ear defines it as "like a winnowing basket." "Much of the disagreement among contemporary analysts," Scott says, "is because they are focusing on different aspects of this complex phenomenon." (1994, p. 56)

But Scott does not solve the definition problem for us because his definitions of "institution" are too complex and to guide practitionersⁱ. We need a simpler definition. If Scott is correct that the simpler definitions to a considerable extent merely capture different facets of what institutions are; to think clearly about institutional theory and practice, perhaps we can simply choose one of the standard simple definitions and treat others as providing additional information about the phenomenon.

Economics' standard definition is accepted by most institutional economists: "the underlying rules of the game" (North, 1990). Williamson (2000) shows it works at many levels of analysis. Moreover, to say that AT&T had difficulty because "underlying rules of the game" failed to support strategic thinking and innovation effectively summarizes key aspects of why AT&T could not innovate. Other definitions could be used, for example Oliver's (1997) actions that "tend to be enduring, socially accepted, resistant to change, and not directly reliant on rewards or monitoring." However, while ODD was struggling with institutionalized activities as Oliver defines the term, to focus on the fact that strategy processes in AT&T were "enduring" and "socially accepted" seems to take us a step away from the issues important to practitioners.

Thus "the underlying rules of the game" is our definition of "institution." But since differing definitions capture different aspects of the underlying reality, we will assume that the "underlying rules of the game" in human systems also normally tend to meet Oliver's definition. (They are "enduring, socially accepted, and resistant to change.") We also hypothesize they fulfill Berger and Luckmann's (1966) definition ("reciprocal typification of habitualized actions by types of actors") and others.

Scott also makes another point central to drawing useful conclusions. He notes that institutions are the same phenomenon at many levels of society (2001, p. 55–60). Thus with appropriate caution we can use data and theory from different levels when examining any institutional phenomenon.

AT&T's Problems and ODD's Struggle for Institutional Change

The "rules of the game" definition makes clear that ODD had to pursue institutional change. As discussed above, the prevalent rules of the game in AT&T blocked it from realizing the potential of its resources. Positioning its work as a crusade, ODD was inevitably pushing to change the institutions.

Despite a clear understanding of the basics of the problem, however, ODD lacked a comprehensive way to think about solving it. The members did not know how to think clearly

about changing institutions. ODD was happy to be “odd” -- to remain outside power structures. To succeed in the activist’s task, however, they needed more - the kind of social skill that brings new institutional forms into existence. Clear understanding of institutionalized rules and how they can be deliberately changed could have helped them and could help other practitioners as well. Thus the next section outlines what practitioners need to know about institutions and deliberate institutional change (i.e., changing the rules of the game).

Institutional Knowledge and Management Practice

Strong evidence shows that better institutions can enormously improve social systems’ performance (North, 1990; Oliver, 1997). But it has been challenging to identify how intentional behavior can improve institutions. Here we try to summarize what recent studies show.

Sociologists and economists agree that institutions promoting less-than-optimal performance are common. Studies that shaped the “new institutionalism” in sociology and in economics had very different purposes, but they agreed on this (Meyer and Rowan, 1977/1991; North and Weingast, 1989). North (1990) holds that most of today’s Third World countries are plagued by poor institutions. Thus, institutional issues as serious as AT&T’s – with rules of the game that keep systems from improving – are common. But how can a concerned member or group – people with influence but not chief executive power – encourage positive evolution of institutions? There are good reasons to think recent studies can help activists answer this.

How Activist Managers Should Understand the Nature of Institutions

Changing institutions is difficult because of the very nature of institutions . A first step for managers who wish to learn from institutional theory is to understand that nature. Institutions are not just rules-of-the-game (“regulative structures” in Scott’s (2001) terminology). They are also taken-for-granted elements of people’s thinking patterns (Berger and Luckmann, 1966). Moreover, they are “logics of appropriateness” (March and Olsen, 1989) that tell people what to do in certain kinds of situations. (Scott’s terms for the Berger and Luckmann and March and

Olsen types of understandings are “cognitive structures” and “normative structures,” respectively.)

These faces of institutions are powerful sources of inertia that activists need to overcome. People with little or no obviously rational reason to oppose an institutional change (such as the AT&T Labs’ leadership in 1997 and 1998) may create overwhelming obstacles just because they take existing ways for granted and deem them appropriate. Moreover, those who seek change can take existing institutions for granted as much as anyone else. The ODDsters’ failure to develop politically necessary relationships with senior managers even when their successful annual planning document demonstrated the ODDsters’ value, for example, may have derived in part from their tendency to take their institutionalized role as a Labs-based support group as given.

The Basic Processes of Institutional Transformation

Managers who understand the problem also need to understand the processes by which they can change institutions. A standard model describes a substantial part of this. New rules of a game become real through a process of first “habitualization,” then “objectification,” then “sedimentation” (Berger and Luckmann, 1966; see also Tolbert and Zucker, 1996). People start doing something a particular way and that way seems to work. So they repeatedly do it that way (habitualization). When activities must be explained to others, particularly to people who join the system, they come to be seen as part of objective reality (“the way things are done around here”). That is objectification. Sedimentation is the completion of the process. The behavior becomes so taken-for-granted that it becomes a standard part of people’s mental furniture.

For activists, however, the most difficult challenges occur before anything like “habitualization” can take place. How does a supporter of institutional change first get an organization to use new ways? DiMaggio (1988) describes the deliberate creation of institutional change as “institutional entrepreneurship” and each individual effort as an “institutionalization project.” He argues that successful creation of new institutions “is a product of the political

efforts of actors to accomplish their ends and that the success of an institutionalization project and the form that the resulting institution takes depend on the relative power of the actors who support, oppose, or otherwise strive to influence it.”

To succeed, ODD had to carry out an institutionalization project itself or persuade others, higher in the organization, to do so. DiMaggio portrays the actors in such projects as having a relatively clear idea of changes they want to create, but this may not always be true. Some innovation-supporting institutions seem to emerge because someone improvises one big innovation and then others try to learn from the process, generating a routine (Wood, Hatten and Williamson, 2004). Whether new institutions are improvised or deliberately chosen, however, DiMaggio argues that goal-oriented struggles create them.

In these political efforts, innovation supporters have to develop a strong coalition for change. Some organized groups always have interest in maintaining institutions as they are. Innovators, moreover, have to overcome institutions’ taken-for-granted nature. The ODDsters are examples of activists who probably did not pay enough attention to political processes. Their reflections on what they could have done differently [should have “sought to address higher audiences in top management in a more systematic manner”] hint at weak political thinking. DiMaggio’s argument suggests that activists are inevitably politicians.

Social Skills for Institutional Change

Fligstein (1997) expands on DiMaggio’s model. He suggests that creating new institutions is a matter of having the right social skills -- the "ability to motivate cooperation in other actors by providing those actors with common meanings and identities in which actions can be undertaken and justified." Fligstein focuses on an effort that built new international institutions. However, his analysis is equally relevant to activists in firms.

Fligstein discusses Jacques Delors, the former French finance minister who headed the European Union’s governing body in the 1980s. Delors took the job when the Union was in crisis. Its dissolution was being discussed. "Eurosclerosis" was considered a profound problem,

and analysts doubted European firms could compete with Japan and America. Delors and allies among EU officials sought a goal that had much in common with goals of corporate activists: to open Europe to innovation through institutional and market reforms. Moreover, their means had direct parallels with the ODDsters'. Delors and his associates worked to build what Fligstein and Mara-Drita (1996) call an "elite social movement" – a movement of officials, businesspeople, and others interested in overcoming Europe's problems. Indeed, when Delors joined the EU he joined a movement called "the Single Market Program" already launched in the EU bureaucracy by officials who, like the ODDsters, saw a need for change. It sought to radically reduce remaining European trade barriers. Delors' political skills invigorated the movement and it succeeded. EU nations agreed to 264 directives in the name of the Single Market Program, eliminating taxes and barriers and harmonizing rules such as health and safety codes. The program went into effect in 1992 and Europeans became habitualized quickly. Moreover, innovation did increase and prosperity returned. The program's success allowed Delors to help create additional new institutions, including European monetary union.

Fligstein builds on this to present a new analysis of how politics can change institutions, which he calls "the political-cultural approach" (Fligstein, 2001). He describes processes and tactics that institutional entrepreneurs (Delors and the officials who worked with him) can use to remake institutions.

Traditional economics and much political science use rational-actor models of change. They see emergence of new institutions as bargaining. Environmental change makes existing arrangements suboptimal and actors, who have fixed preference functions, bargain to create new arrangements (Shepsle and Bonchek, 1997). These models are not useful to activists, who perceive problems that others do not yet see.

Fligstein on the other hand, notes that often parties in a problematic situation do not understand each other's positions. Negotiations may be stymied because of their different perceptions. In this situation, institutional entrepreneurs may promote the emergence of a new "cultural frame" that will cause people's understandings and thus preferences to change. This is

how institutional entrepreneurs bring about major change. Existing institutions and organizations "constrain and enable" actors, structuring what is possible. However, people's interests are not fixed. Institutional entrepreneurs give actors a new sense of their interests and thus support changes in the rules.

They can lead a re-design of areas that are unformed (new technical fields, for instance) or in crisis (like that experienced by Europe's markets in the 1980s). They succeed if they unite the right kind of core group to support something powerful and (to the entrepreneurs) worthwhile. "Strategic actors must find a way in which to bring together as many groups as possible to form a center or core," Fligstein (1997) says. By creating an appropriate "cultural frame," Delors and EU staff made the Single Market Program appealing.

Fligstein notes actors have to select from "a small number of tactics" to build a powerful core around an appropriate cultural frame. Among the tactics he discusses are:

- Agenda-setting: getting people to agree on what will be talked about;
- Framing proposed actions: convincing people to think that what will happen is (a) in their interest, or (b) natural, given values that they accept or should accept;
- Taking what the system gives: seizing unplanned opportunities, and seeing opportunities where others see only constraints;
- "Goallessness:" appearing open to others' needs, free of values oriented to personal gain, not wedded to a course of action, and therefore an appropriate broker among others.
- Brokering: helping people with different attitudes to communicate and reach agreementsⁱⁱ.

Such tactics can bring together important people in the system to support a new way of thinking, so that a new course of action can be adopted and institutionalized. Delors and his allies built a body politic in all Europe to support a reworking of Europe's market institutions using the tactics Fligstein discusses. He focused on agenda-setting from the beginning, telling

European leaders that he would take the presidency of the EU only if they committed to a big project and then quickly concluding after a tour of European capitals that the idea of “completing the single market” was the most popular alternative. Thereafter he had legitimacy to focus discussion on that. Delors and EU staff framed the project as in the interest of all Europeans. Initially, there was essentially no definition of “completing the single market,” but the idea of eliminating barriers and harmonizing regulations could be sold as a source of great efficiencies. Then shared belief in “completing the single market” could then be used to persuade people to support changes they had previously opposed. Delors' relatively goalless attitude when he took the presidency gave him credibility. People believed he would have supported whatever big revitalizing project the leaders of the continent wanted. "Taking what the system gave," he allowed the existing European system and the movement that was emerging in support of change to set boundaries. Delors became a well-respected broker, finding aspects of market change that would appeal to each political group.

ODD also used tactics on Fligstein's list, and those tactics contributed to successes. Advocating scenario planning was a way for people with no formal authority to alter agendas. Scenario planning's standardized, non-partisan nature gave the scenario-planning experts an air of goallessness. ODD's willingness to take over activities such as the editing of newsletters was an “taking what the system gives.”

However, ODD never used these techniques in a coherent approach to the political problem that DiMaggio and Fligstein see as central: creation of a core group powerful enough to truly change the rules. Fligstein never closely examines the EU officials whose role paralleled the ODDsters' -- the group that originally conceived the idea of a Single-Market Program. But he seems to imply they always recognized their success required finding major support at higher levels. If ODD had made slightly better use of Fligstein's tactics it still might have failed. But there is every reason to believe there was also a possibility for great success.

ODD's Contribution to Institutional Knowledge

Although ODD did not achieve dramatic changes in the rules in AT&T, its partial successes strongly suggest that mechanisms of social movements can achieve great impact in organizations. ODD showed the power in a large organization of visions that start among less powerful people and then expand their reach outside hierarchical channels, of people making sacrifices for a cause, and of the use of catchy phrases and simple, sometimes stylized facts to recruit new believers. In a world where many firms face rapid change that undermines traditional business models, social movements within organizations seem an effective way of using firms' accumulated knowledge to evolve in needed ways.

For this to happen, however, both activists and senior managers will have to learn from the experiences of ODD and other activist endeavors. ODD's experience shows that activists can easily learn to talk to and work with peers and with people just above them in the hierarchy. However, developing needed relations with senior managers may overwhelm them.

Conclusion

This analysis shows there is reason to believe that activism and the social movements that activists build in organizations can contribute enormously to change in large firms. The movement that the Opportunity Discovery Department spawned made remarkable progress in encouraging evolution. It failed to achieve true transformation in part because activists simply did not understand or focus on processes of enrolling senior management in their vision.

Institutional theory provides credible guidance for activists on how to achieve the success that eluded the ODDsters. The challenge is fundamentally political: institutional entrepreneurship. Activists need to bring together strong groups of supporters including top-level executives.

Our knowledge of activism inside organizations remains rudimentary. We especially need case studies that are more theoretically informed than those published to date. Such

research is needed because businesses need a better, more theoretically informed practice of activism today, when environmental changes clearly call for dramatic evolution. Business needs more theoretically informed practice on two levels. First is among activists themselves. They need to think through their political roles and tactics. The second, equally important, is among senior managers. If senior managers are to be in charge of evolution of their firms, they need to look to activists to mobilize expertise, articulate possibilities, and play key roles in assembling coalitions. ODD was advocating and making progress toward creating genuinely different ways of thinking about the whole business. Theory provided no guidance to upper management in how to respond.

Activism has the potential to bring about desperately needed institutional changes in large established firms. But much more work is needed by scholars, activists, and senior executives if the promise is to be realized.

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Footnotes

ⁱScott's (2001) definition is: "Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior."

ⁱⁱThe other tactics on Fligstein's list are: direct authority (use of existing hierarchical power), wheeling and dealing (shaking up a situation to see where it ends up), asking for more than you think you can get, maintaining ambiguity, "trying five things to get one," aggregating interests, convincing people you hold more cards than you do, making others think they are in control, and framing actions in terms of the dominant groups to gain benefits from the system without disturbing those who are dominant.

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Table 1
Key Lessons of Institutionalism for Activists

<u>Topic</u>	<u>Literature</u>	<u>ODD Behavior</u>	<u>Results</u>
Nature of institutions	Institutions are rules of the game (North, 1990) that are taken for granted (Berger & Luckmann, 1966) and create logic of appropriateness (March & Olsen, 1989).	ODD knew it was trying to change the rules, but it often took existing rules for granted in ways that hurt its overall project (e.g., acting as a Labs-based support unit, it did not develop strategy for reaching top management).	ODD proved “right” in retrospect but it did not ultimately succeed in transforming AT&T. Its work had significant impact on some parts, but it never built relationships with the managers most important to its success.
Nature of institutional entrepreneurship	Institutional entrepreneurship is highly political (Dimaggio, 1988).	ODD reveled in being different and using methods that were highly original (including unusual language). ODD was more like a rebellion seeking to awaken than a constitutional movement seeking political and institutional support.	While ODD survived as a movement surprisingly long (perhaps due to its links to Bell Labs), it ultimately dissipated as its position became politically untenable and some of its leaders left.
Process of institutional change	Institutions are formed not so much by deliberate decision as by habitualization, objectification, and sedimentation. (Berger & Luckmann, 1966)	ODD was successful in initiating some new management practices (such as scenario planning) but it failed to make these routine practice.	ODD never achieved substantial changes in strategy-making at AT&T as a whole or got core strategy-making efforts to take it, as an R&D unit, seriously as a contributor.
Institutional entrepreneurship skills	Supporters must form “center or core” supporting new institutions through skillful use of tactics such as agenda-setting and “goallessness” (Fligstein, 1997).	Some ODD behavior was politically astute, but as it achieved successes it did not develop a political strategy to build on the successes and its large grassroots network to consolidate its support.	Lack of a well-structured coalition and senior executive championing made it easy for enemies to kill ODD after its creator left firm. ODD’s revolutionary air may have also felt threatening to the AT&T “establishment” once ODD became seen as a potentially competent entity.

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The cost of a U.S. long-distance call:

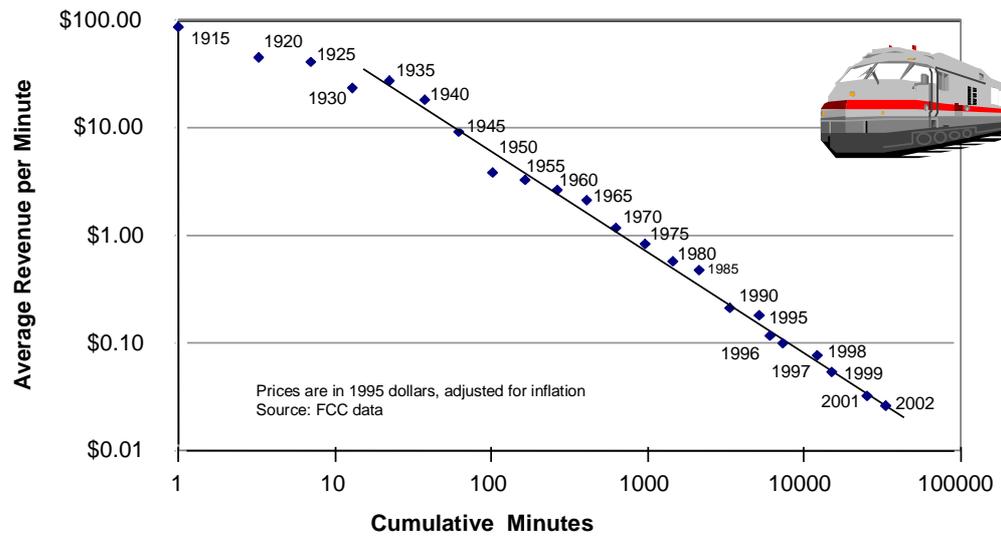


Figure 1. ODD's "freight trains" graph.