



T.C.
ÜSKÜDAR ÜNİVERSİTESİ
INSTITUTE of SCIENCES

DEPARTMENT OF INDUSTRIAL ENGINEERING
ENGINEERING MANAGEMENT PROGRAM
MASTER THESIS

INSTITUTIONALIZATION IN SMALL COMPANIES

Omar Bahani

Thesis Advisor
Prof. Dr. Hasan ÇİÇEK

ISTANBUL – 2025

T.C.
ÜSKÜDAR ÜNİVERSİTESİ
INSTITUTE of SCIENCES

DEPARTMENT OF INDUSTRIAL ENGINEERING
ENGINEERING MANAGEMENT PROGRAM
MASTER THESIS

INSTITUTIONALIZATION IN SMALL COMPANIES

Omar Bahani

Thesis Advisor Prof. Dr. Hasan ÇİÇEK

ISTANBUL – 2025

ÖZET

Bu tez, küçük işletmelerde kurumsallaşma sürecini incelemekte ve resmi rutinlerin, kültürel normların ve yönetim yapılarının işletme istikrarı, meşruiyeti ve performansı üzerindeki etkilerini ele almaktadır. Büyük firmaların aksine, küçük işletmeler genellikle yapılandırılmış sistemlerden yoksundur; bu nedenle, kurumsallaşma bu işletmelerin gelişiminde hayati bir rol oynamaktadır.

Çalışma, inşaat, perakende, teknoloji ve e-ticaret gibi çeşitli sektörlerde faaliyet gösteren yedi küçük şirketin incelendiği **nitel ve karşılaştırmalı bir çoklu vaka çalışması tasarımı** kullanmaktadır. Veri toplama yalnızca **ikincil kaynaklara** dayanmaktadır; bunlar arasında akademik makaleler, yayınlanmış vaka analizleri ve sektör raporları bulunmaktadır. Analiz sürecinde kurumsal teoriye dayalı **Scott'ın kurumsal üçlü direği** ve **DiMaggio & Powell'in izomorfizm mekanizmaları** temel alınmıştır.

Bulgular, kurumsallaşmanın operasyonel tutarlılığı, paydaş güvenilirliğini ve karar alma kalitesini artırdığını ortaya koymaktadır. Toplam Kalite Yönetimi (TQM), çevik yönetim modelleri ve iletişim protokolleri gibi yapıların benimsenmesi, özellikle esneklik ve direnç gerektiren sektörlerde kurumların gelişimini desteklemiştir. Sektörel analiz, kurumsallaşma olgunluğu ile organizasyonel büyüme arasında pozitif bir ilişki olduğunu göstermektedir.

Ayrıca, kurumsallaşmanın faydalı olmakla birlikte erken aşamada ya da aşırı katı biçimde uygulanmasının inovasyonu engelleyebileceği vurgulanmaktadır. Bu nedenle, **kademeli ve bağlama duyarlı** bir uygulama önerilmektedir.

Bu çalışma, küçük işletmelerde kurumsallaşmanın etkisini derinlemesine inceleyerek literatüre katkı sunmakta ve yöneticiler ile politika yapıcılar için uygulanabilir öneriler sunmaktadır.

ABSTRACT

Emphasizing how formal routines, cultural norms, and governance structures impact organizational stability, legitimacy, and performance, this thesis investigates the institutionalizing process in small businesses. Unlike big companies with set systems,

small businesses sometimes find it difficult to create durable frameworks, hence institutionalization is quite important for their development.

Analysing seven different small firms in sectors including construction, retail, technology, and e-commerce, the study uses a qualitative and comparative case study design. Using institutional theory frameworks including Scott's three institutional pillars and DiMaggio and Powell's isomorphism processes, the analysis is organized depending just on secondary data from peer-reviewed literature and published case studies.

Results show that institutionalizing helps small businesses' operational consistency, stakeholder legitimacy, and decision-making quality to be much improved. Businesses using practices include formal communication systems, Total Quality Management (TQM), or agile management found more resilience and adaptability. Particularly in companies that strike a mix between structure and flexibility, sectoral analysis shows that institutional maturity corresponds with organizational expansion.

The study emphasizes that although institutionalization has advantages, early or strict implementation could stifle creativity in startups run by founders or early-stage companies. For this reason, one advises a phased, context-aware strategy.

Emphasizing the complex function of institutionalization in small businesses, this study adds to organizational studies and offers pragmatic recommendations for managers and legislators trying to formalize sustainable structures without sacrificing agility.

FOREWORD

I would like to take this opportunity to appreciate and thank my advisor, Prof. Dr. Hasan çiçek, for his help and constant support throughout my journey.

Omar Bahani



DECLARATION

I declare that this study is my own thesis study, that I have no unethical behavior at any stage from planning to writing, that I have obtained all the information in the thesis within academic and ethical rules, that I source all the information and comments that are not obtained through the thesis study that was produced by me, and that it was written in accordance with the thesis writing guide of Üsküdar University Institute of Science.

25/06/2025

OMAR BAHANI

TABLE OF CONTENT

| | |
|--|-----|
| ÖZET..... | i |
| ABSTRACT | i |
| FOREWORD..... | iii |
| DECLARATION | iv |
| TABLE OF CONTENT | v |
| 1 INTRODUCTION: | 1 |
| 1.1 Background of Institutionalization in Small Companies..... | 1 |
| 1.2 Importance of the Study | 2 |
| 1.3 Objectives of the Literature Review..... | 3 |
| 2 THEORETICAL FRAMEWORK | 4 |
| 2.1 Definitions and Explanations of Institutionalization..... | 4 |
| 2.2 Key Theorists and Studies | 5 |
| 2.3 Impact on Small Companies | 6 |
| 2.4 Case Studies | 7 |
| 2.5 Motivational Practices in an Accounting Company..... | 8 |
| 2.6 Management Skills..... | 8 |
| 2.7 Total Quality Management Practices in a Construction Company | 9 |
| 2.8 Institutionalization in Technology Startups..... | 12 |
| 2.9 Institutionalization in Retail Small Businesses | 12 |
| 2.10 Institutionalization in Family-Owned Businesses..... | 13 |
| 2.11 Institutionalization in Construction Companies..... | 13 |
| 2.12 Institutionalization in Technology Startup | 14 |
| 2.13 Institutionalization in a Retail Company | 14 |
| 2.14 Comparison with Larger Organizations | 15 |

| | |
|---|-----------|
| 2.15 Methodologies Used in Previous Studies | 16 |
| 3 METHODOLOGY | 19 |
| 3.1 Research Design..... | 19 |
| 3.2 Data Source..... | 22 |
| 3.3 Case Selection Criteria and Process | 27 |
| 3.4 Analytical Framework | 31 |
| 3.5 Ethical Considerations..... | 35 |
| 4 Findings | 37 |
| 4.1 Patterns of Institutionalization | 37 |
| 4.1.1 Three-Phase Institutionalization Trajectory | 37 |
| 4.1.2 Dominant Dimensions Across Cases..... | 39 |
| 4.1.3 Resistance, Adaptation, and Reinforcement | 40 |
| 4.1.4 Summary | 41 |
| 4.2 Sector-Specific Institutionalization Models..... | 42 |
| 4.2.1 Construction Sector | 42 |
| 4.2.2 Technology Startups..... | 43 |
| 4.2.3 Retail and E-Commerce..... | 44 |
| 4.2.4 Professional Services | 45 |
| 4.2.5 Manufacturing & Engineering (Legacy Firms)..... | 46 |
| 4.3 Cross-Sectoral Themes and General Principles | 47 |
| 4.3.1 Institutionalization is Often Triggered by Organizational Pain Points | 47 |
| 4.3.2 Leadership is the Primary Enabler (or Bottleneck) | 48 |
| 4.3.3 Deep Internalization Requires Cultural Rewriting | 48 |
| 4.3.4 Multi-Pillar Interaction is Essential..... | 48 |
| 4.3.5 Feedback Loops Drive Institutional Maturity..... | 49 |

| | |
|--|----|
| 4.4 Observed Barriers and Risks to Institutionalization..... | 50 |
| 4.4.1 Founder Dependence and Informality | 50 |
| 4.4.2 Resistance from Employees | 50 |
| 4.4.3 Incomplete Internalization | 51 |
| 4.4.4 Misalignment with Company Stage or Scale | 51 |
| 4.4.5 Over-Institutionalization..... | 52 |
| 4.4.6 Lack of Monitoring and Iteration | 52 |
| 4.5 Institutionalization Maturity Levels | 53 |
| 4.5.1 Level 1: Formal Compliance..... | 53 |
| 4.5.2 Level 2: Operational Integration | 54 |
| 4.5.3 Level 3: Cultural Embedding | 55 |
| 5 Discussion and Critique of Literature | 57 |
| 5.1 Key Findings..... | 57 |
| 5.1.1 Institutionalization Enhances Operational Performance | 57 |
| 5.1.2 Legitimacy and Stakeholder Confidence | 57 |
| 5.1.3 Structuring Decision-Making and Organizational Learning..... | 57 |
| 5.2 Implications for Small Enterprises | 57 |
| 5.3 Gaps in Existing Literature | 58 |
| 5.3.1 Lack of Longitudinal Evidence | 58 |
| 5.3.2 Limited Exploration of Institutional Pressure Types | 58 |
| 5.3.3 Insufficient Sector-Specific Analysis | 59 |
| 5.4 Directions for Future Research | 59 |
| 5.5 Conclusion | 59 |
| 5.6 Final Thoughts and Strategic Recommendations..... | 60 |
| 5.6.1 Practical Steps for SME Institutionalization..... | 61 |

5.7 Concluding Remark.....62
6 References63



1 INTRODUCTION:

1.1 Background of Institutionalization in Small Companies

Institutionalization is the process by which some behaviours, procedures, and structures get ingrained and accepted inside a company. It marks the moment when these components are considered normal and required rather than under discussion. In organizational theory, institutionalization is more about a deeper transformation where internal routines and external expectations line up to produce organizational stability, predictability, and legitimacy than it is about formalizing processes.

For small businesses, institutionalizing becomes very important. Small businesses often depend on informal communication, ad hoc decision-making, and founder-centric power structures rather than bigger corporations who usually run with established hierarchies, procedures, and bureaucratic processes. Early on in development, this informality can provide speed and flexibility; but it also exposes these businesses to major operational risks, inconsistency, and a lack of scale-ability. For small businesses hoping to grow into more resilient and sustainable enterprises, institutionalization thus becomes a strategic need rather than only a formality.

Usually, the scholarly literature presents institutionalization through two main perspectives: Old Institutionalism and New Institutionalism.

- Old Institutionalism: Rooted in sociology and political science, old institutionalism emphasizes the internal development of policies and systems inside the company. It sees historical accumulation, route dependence, and cultural embedding of activities throughout time as producing institutionalization. This perspective holds that depending on internal dynamics and leadership behaviour, companies develop their own unique patterns, conventions, and informal regulations. Old institutionalism helps small businesses understand how repeated actions—such as informal quality control or founder-driven decision cycles—gradually shape their "way things are done."

- **New Institutionalism:** Emerging in the late 20th century, new institutionalism turns the emphasis outward to external environmental constraints. It implies that companies embrace official structures, guidelines, and procedures not only for effectiveness but also to meet institutional environment expectations. This covers industrial standards, officials, professional associations, and more general cultural forces. A small company might, for instance, follow ISO quality standards or formal HR practices not because it immediately increases production but rather because doing so increases credibility with funders, partners, and consumers. DiMaggio and Powell's (1983) theory of isomorphism—including coercive, mimetic, and normative pressures—showcases how tiny businesses may copy larger corporations or follow institutional directives to achieve acceptability and evade penalties.

Small businesses really find themselves caught between these two forces: internal formalism and external formalism. The difficulty is developing an institutionalization process that keeps their agility while implementing scalable, legal, and repeatable techniques. Therefore, learning institutionalization in small businesses is not only important to grasp their organizational development but also provides useful strategies for raising their competitiveness and long-term survival.

1.2 Importance of the Study

Understanding institutionalization in small companies is important for several reasons:

- **Stability and Consistency:** Institutionalization helps small businesses create consistent and predictable practices—qualities necessary for effective operations and decision-making. Improved performance and market competitiveness resulting from this stability can help to boost competitiveness.
- **Legitimacy and Credibility:** Adopting accepted standards and procedures helps small businesses to acquire legitimacy and credibility in the perspective of stakeholders such as consumers, investors, regulatory authorities, and others. This might improve their standing and raise their prospects of success.

- **Adaptability and Resilience:** Institutionalization can also help small businesses be more flexible and stronger against changes in the outside world. These firms can better handle external pressure and market changes by including adaptable and flexible practices.
- **Long-term Growth and Sustainability:** Institutionalization provides the basis for both. It enables small businesses to create a strong organizational culture and identity, therefore supporting their growth and expansion across time.

1.3 Objectives of the Literature Review

The main objectives of this literature review are:

- **To Explore the Concept of Institutionalization:** This review attempts to give a thorough grasp of the idea of institutionalization together with its definitions, theoretical stances, and main elements. It will look at both new and old institutionalism as relevant to small businesses.
- **To Examine the Impact of Institutionalization on Small Companies:** Examining how institutionalization influences the performance, stability, and expansion of small businesses will help one to better understand this. It will examine case studies and empirical research to underline in this setting the advantages and difficulties of institutionalization.
- **To Identify Gaps in Current Literature:** Reviewing recent studies would help this literature review to highlight areas of weakness in the present research on institutionalization in small firms. It will draw attention to areas requiring more study to help us to grasp this subject more fully.
- **To Provide Recommendations for Future Research:** Based on the found gaps, the review will present suggestions for the next studies. It will propose possible

fields of research that can help to further knowledge and practice in the field of institutionalization for small businesses.

2 THEORETICAL FRAMEWORK

2.1 Definitions and Explanations of Institutionalization

Institutionalization is the process by which particular behaviours, standards, and values find acceptance and establishment inside a company. Embedding these components into the organizational structure, this procedure ensures their basic presence in the operations and culture of the business. Increased stability, predictability, and organizational legitimacy for the company can all follow from institutionalizing.

Old institutionalism and new institutionalism are the two basic angles of view on institutionalization.

Old Institutionalism

Old institutionalism emphasizes on the internal systems and practices that become second nature inside a company. It underlines how internal environment, and accepted procedures shape corporate behaviour. This point of view sees institutionalization as a means of formalizing processes and routines thereby fostering stability and order inside the company.

Important features of ancient institutionalism consist in:

- **Formal Structures:** Stress formal guidelines, policies, and hierarchies.
- **Stability:** Emphasize on keeping the company continuous and stable.
- **Internal Focus:** Emphasize on structures and procedures inside your company.

New Institutionalism

Conversely, new institutionalism emphasizes how the organization responds to outside pressure and society conventions. It takes into account how the institutionalization process is affected by outside elements including industry standards, legal obligations, and cultural expectations. From this point of view, companies are open systems affected by their surroundings.

Key characteristics of new institutionalism:

- **External Pressures:** Emphasizing the influence of outside elements as rules, conventions, and cultural expectations, we also consider
- **Legitimacy:** Emphasize your need to win acceptability and legitimacy from outside partners.
- **Adaptability:** Understanding that companies must change with the times for their outside environment.

Application to Small Companies

In the framework of small businesses, both new and old institutionalism are rather relevant. Small businesses can lack formal systems and procedures, so internal focus of traditional institutionalism is absolutely essential for maintaining consistency and stability. Simultaneously, small businesses are quite vulnerable to outside criticism, hence the adaptability and legitimacy emphasis of modern institutionalism is also rather crucial.

2.2 Key Theorists and Studies

Many eminent thinkers have helped to clarify institutionalization:

- Paul J. DiMaggio and Walter W. Powell's studies on institutional isomorphism help to understand why coercive, mimetic, and normative constraints cause organizations to grow similar over time. They contend that companies use comparable systems and techniques to win acceptance and legitimacy in their surroundings.
- John W. Meyer and Brian Rowan first proposed the idea of "institutionalized organizations," stressing how companies develop formal structures and practices to seem legitimate—even if these systems do not always increase efficiency—even if these structures do not always improve efficiency.
- Richard W. Scott: His institutional theory work offers a thorough foundation for comprehending how institutions shape organizational behaviour. Scott notes three pillars of institutions—regulating, normative, and cultural-cognitive—that mold organizational structures and activities.

Thanks in great part to these intellectuals and their research, our knowledge of institutionalization and its effects on businesses—including small businesses—has evolved. Their study offers insightful analysis of how tiny businesses could negotiate the complexity of institutionalization to reach stability, legitimacy, and long-term success by looking at both internal and outside variables.

2.3 Impact on Small Companies

Performance Implications

Small businesses' performance can be much improved by institutionalizing stability, legitimacy, and a structure for regular operations. These are some important ideas:

- **Stability and Efficiency:** Small businesses can set steady and effective operations by use of institutionalized methods. These businesses can lower variation in their operations by including consistent practices and standards, therefore producing more dependable results. Small businesses, who sometimes run on few resources and incur more dangers than bigger enterprises, depend on this stability.

- Institutionalization helps small businesses to have credibility and legitimacy. These businesses can build the confidence of stakeholders—including consumers, investors, and regulatory authorities—by following well acknowledged standards and practices. This credibility can open doors to fresh prospects including access to finance, alliances, and market growth.
- Instituted procedures offer a structure for improved decision-making. Small businesses can make more informed and consistent decisions using set policies and procedures, therefore lowering the possibility of mistakes and improving general performance. This is especially crucial in dynamic and competitive settings when fast and accurate decision-making is vital.

2.4 Case Studies

Several case examples underline the advantages and difficulties of institutionalizing small businesses:

- **Food Sector Family-Owned Enterprises:** Research on family-owned companies in the food sector revealed that institutionalization improved non-financial as well as financial performance. Adoption of codified procedures and practices resulted in higher operational efficiency, increased customer satisfaction, and improved employee morale. These businesses managed to reach market competitiveness and sustained development.
- Another case study on technology startups found that institutionalization enabled these businesses to negotiate the early development's uncertainty. These firms were able to simplify their operations, draw in investors, and more successfully scale their companies by defining precise roles, duties, and procedures.

- Research on small retail enterprises revealed that institutionalization improved inventory control, customer service, and financial performance among other areas. By using consistent procedures, these companies were able to increase their general profitability and react more successfully to consumer needs.

2.5 Motivational Practices in an Accounting Company

Analysing the employee motivation levels of an Eastern Finland accounting company, this study aims to the study emphasizes the need of management techniques and internal communication in improving staff commitment and general well-being at the workplace.

Internal Communication

Motivated staff depends on good internal communication. Several methods have been ingrained in the accounting firm to guarantee continuous and clear communication:

- Weekly team meetings cover continuing projects, resolve any problems, and provide significant updates. These conferences give staff members a forum to express worries and support decision-making procedures.
- Encouragement of employees to contact managers and supervisors with their questions, ideas, and comments by means of an open-door policy helps the firm. This program fosters openness and confidence inside the company.
- Monthly newsletters are sent to let staff members know about corporate news, successes, and forthcoming events. This maintains everyone in line with the objectives of the business and fosters a feeling of belonging.

2.6 Management Skills

One cannot overestimate the influence of management in inspiring staff members. The accounting firm has concentrated on honing the following managerial abilities to raise staff drive:

- Managers participate in frequent leadership development courses to improve their capacity for guiding and motivating their staff. These courses address subjects

including team-building techniques, conflict-resolution skills, and successful communication.

- Regularly constructive comments are given to staff members. Managers are taught to provide comments in a way that is motivating and supportive, therefore enabling staff members to see their areas of strength and development.
- To honour staff members' diligence and accomplishments, the organization has set up a recognition and awards program. This covers team meeting public recognition, bonuses, and monthly rewards.

Impact on Employee Motivation

The institutionalization of these practices has had a positive impact on employee motivation and well-being:

- **Increased Commitment:** Transparency of communication and supportive management techniques help employees to feel more dedicated to the business. Their better than average performance helps the business to flourish by means of their contributions.
- **Enhanced Well-Being:** Improved general job satisfaction by means of a favourable work environment established by the emphasis on internal communication and management skills to help to lower stress. Higher morale and productivity follow from employees' appreciation of their value.
- **Lower Turnover Rates:** Reduced turnover rates are the outcome of the company's attempts to inspire and involve staff members. Long-term employee retention by employees increases their likelihood of staying with the organization, so lowering the training and recruiting expenses.

2.7 Total Quality Management Practices in a Construction Company

The impact of Total Quality Management (TQM) strategies on organizational performance and innovation at Royal AMT Construction Company Limited is under inquiry in this paper. The results show that TQM techniques improve performance and innovation alike.

Focusing on quality in all spheres of operations, Total Quality Management (TQM) is a complete method to raise organizational performance. Several TQM techniques have been formalized at Royal AMT Construction Company Limited to improve performance and innovation:

- The business has developed a culture of constant improvement whereby staff members at all levels are urged to find areas needing work and propose fixes. This method promotes proactive innovation and problem-solving technique.
- Frequent training initiatives are carried out to improve staff members' knowledge and abilities. These courses address several facets of quality management, including customer satisfaction initiatives, process improvement methodologies, and quality control tools. Investing in staff development helps the business to make sure that its personnel have the required competencies to keep high standards.
- Royal AMT Construction Company Limited gives great importance on knowing and satisfying client requirements. Regularly gathered and examined client comments helps one find areas for development. This customer-centric strategy enables the business to provide excellent goods and services either meeting or beyond consumer expectations.
- The firm has standardized its procedures to guarantee consistency and effectiveness. Documented and followed throughout all projects are standard operating procedures (SOPs). This standardizing helps lower errors, lessen variability, and raise general quality.
- TQM practices' efficacy is evaluated by means of regular quality audits and reviews. These audits point up areas of non-compliance and areas that might use development. These audits produce results that are applied to make required improvements to the quality control system.

- **Impact on Innovation and Performance**

TQM methods' institutionalization at Royal AMT Construction Company Limited has improved organizational performance and innovation alike:

- **Enhanced Innovation:** Improved innovation has resulted from the culture of ongoing development and staff participation. Workers are urged to be creative and suggest fresh suggestions for bettering products and procedures. This has spurred the creation of creative building methods and solutions improving the results of projects.
- **Improved Organizational Performance:** Enhanced organizational performance follows from a concentration on quality and customer satisfaction. Higher degrees of customer satisfaction the company has attained will result in more repeat business and favourable recommendations. Furthermore, helping to lower expenses and improve operations have been the regular quality audits and standardizing of processes.
- **Competitive Advantage:** Royal AMT Construction Company Limited has developed a competitive advantage in the building sector by including TQM techniques in its operations. The company's dedication to excellence and ongoing development distinguishes it from rivals and helps to establish it as a leader in completing first-rate building projects.
- **Employee Engagement and Satisfaction:** Employee Engagement and Satisfaction: Higher degrees of employee engagement and satisfaction follow from the focus on staff training and development. Valued and empowered employees inspire more drive and output.

2.8 Institutionalization in Technology Startups

Example: Spotify

Company: Spotify

- Practices: Agile techniques have been adopted by Spotify as official tools to improve their software development procedures. Adopting the Spotify Model—an adaptation of Scrum and Kanban models—they have created an environment of ongoing learning and adaptation. Squads, tribes, chapters, and guilds are part of the Spotify Model and help teams to be organized and cooperative. Every squad runs as a mini-start-up, with freedom to choose the best course of action toward their objectives.
- Impact: The agile techniques' institutionalization at Spotify has produced faster time-to-market, more productivity, and better product quality. Maintaining a competitive edge in the music streaming market, the company has been able to fast innovate and provide new products. The agile culture has also helped to increase employee engagement and satisfaction since teams are free to keep refining their procedures.

2.9 Institutionalization in Retail Small Businesses

Example: Zappos

Company: Zappos

- Practices: To improve customer service and loyalty, Zappos has set up institutionalized CRM techniques. Their CRM system helps them to monitor consumer contacts, preferences, and purchasing behaviour, therefore enabling them to provide tailored recommendations and service. With initiatives like the "Customer Loyalty Team," which offers first-rate support and exceeds client needs, Zappos also stresses a strong organizational culture concentrated on customer happiness.

- Impact: Higher customer retention rates, more sales, and better customer satisfaction following the institutionalization of CRM techniques. A devoted client base created by Zappos regularly interacts with the brand, which results in ongoing development and profitability. Their dedication to customer care has also helped them to establish themselves as e-commerce industry leader.

2.10 Institutionalization in Family-Owned Businesses

Example: Toyota

Company: Toyota

- Practices: Through its well-known Toyota Production System (TPS), Toyota has ingrained quality control techniques inside the company. This system stresses respect for people, waste reduction, and ongoing Kaizen—that is, continual development. Among the key methods are Jidoka (automation with a human touch) and Just-In-Time (JIT) manufacturing.
- Impact: The institutionalization of quality management techniques has produced lower waste, better product quality, and more consumer confidence. Toyota is a worldwide leader in the automotive sector, well-known for manufacturing dependable, premium cars because of its dedication to quality.

2.11 Institutionalization in Construction Companies

Example: Bechtel

Company: Bechtel

- Practices: Bechtel has developed institutionalized project management techniques to increase project efficiency and delivery. Their thorough project management approach covers thorough planning, risk control, and ongoing monitoring with regard to Additionally using cutting-edge project management tools, Bechtel guarantees timely completion and tracks development.

- **Impact:** Project results have improved, delays have been lowered, and cost savings have come as a result from project management techniques' institutionalization. One of the top engineering and construction companies in the world, Bechtel is well-known for its timely and within budget delivery of challenging projects.

2.12 Institutionalization in Technology Startup

Example: Slack Technologies

Company: Slack Technologies

- **Practices:** Slack Technologies' own platform has helped it to institutionalize communication and teamwork techniques. The organization has developed a transparent and real-time collaborative culture by including Slack into all internal correspondence. Standard practices now include regular updates, channels for many projects, and connection with other tools.
- **Impact:** The institutionalization of these communication techniques has produced speedier decision-making, better team cooperation, and higher production.

Thanks to the simplified communication channels, the organization has also observed improved employee satisfaction and involvement.

2.13 Institutionalization in a Retail Company

Example: Warby Parker

Company: Warby Parker

- **Practices:** Warby Parker has established institutional client-centric methods by putting in place an extensive consumer feedback system. To better their goods and services, they routinely gather and examine client comments. The business also established a home try-on service whereby clients may test glasses at home before making a purchase.

- **Impact:** Higher customer satisfaction and loyalty are outcomes of the home tryon program and institutionalizing of consumer comments. Increased sales and market share follow from Warby Parker's fast adaptation to consumer needs and preferences.

2.14 Comparison with Larger Organizations

Small businesses gain from the flexibility and agility that accompany less bureaucracy, even when larger enterprises can have greater resources to institutionalize procedures.

Following are some salient features of comparison:

- a) **Resource Allocation:** Larger companies sometimes allocate specific resources for institutionalization, including staff and divisions tailored for this purpose. Small businesses could, on the other hand, have to be more creative and cleverer in applying standardized procedures. More imaginative and effective solutions catered to their need follow from this.
- b) **Flexibility and Adaptability:** Small businesses may be more flexible and responsive in their institutionalizing procedures. Small businesses can rapidly modify their operations to fit evolving market conditions and outside demand, unlike bigger corporations who might be limited by strict hierarchies and systems. In dynamic and competitive settings, this adaptability can be beneficial.
- c) **Cultural Integration:** Institutionalization in small businesses sometimes entails a more near integration of organizational culture and procedures. Small businesses can more successfully ingrain institutionalized processes into their daily operations with less staff and a more unified workplace. Stronger identification and dedication among staff members resulting from this will help to improve performance even more.

The survival and performance of small businesses depend much on institutionalization. Institutionalized procedures can assist tiny businesses negotiate their surroundings and reach long-term success by offering stability, legitimacy, and a structure for constant operations. Many case studies clearly show the advantages of institutionalization; while small businesses could have difficulties compared to bigger enterprises, their adaptability and flexibility can be major advantages during the institutionalization process.

2.15 Methodologies Used in Previous Studies

Surveys and Questionnaires

Common approaches in studies on institutionalization are surveys and questionnaires. These instruments help to effectively compile information on institutionalization and how management and staff view it as affecting their companies. Many times, include questions regarding organizational practices, norms, and values, surveys let researchers gather quantitative data fit for statistical analysis.

Design and Implementation:

- **Questionnaire Design:** Surveys are meant to feature a combination of open-ended and closed-ended questions. Open-ended questions let respondents offer more thorough and qualitative views; closed-ended ones offer quantitative statistics.
- **Sampling:** Usually using either stratified or random sampling, researchers make sure the survey sample reflects the population under study. This facilitates the generalizing of the results into a more expansive setting.
- **Data Collection:** Surveys can be sent out by paper-based questionnaires, online platforms, or in-person interviews among other ways. Because they are so convenient and reasonably priced, online surveys are very popular.

Examples:

Using a survey, researchers on institutionalization in small family-owned companies asked staff members about their impressions of organizational policies and how they affected performance. The poll asked about formalizing policies, decision-making methods, and the impact of outside influences.

Statistical Analysis Techniques

Analysing the gathered data from surveys and questionnaires depends on statistical analysis methods. Factor analysis and regression analysis are two often applied techniques in studies on institutionalization.

Factor Analysis:

- **Purpose:** Factor analysis is applied to find fundamental causes of institutionalizing tendencies. By combining related variables into factors, it facilitates the reduction of the number of variables.
- **Process:** Extraction of factors from the data follows a process whereby the factors are rotated to produce a simpler structure and then interpreted depending on the variables that load significantly on them.
- **Example:** Factor analysis was applied in research on institutionalization in small businesses to pinpoint main elements of institutionalization including formalization, professionalization, and external legitimacy.

Regression Analysis:

- **Purpose:** Regression analysis looks at how institutionalization relates to corporate performance. It clarifies how various facets of institutionalization affect results of performance.
- **Process:** Specifying a regression model, estimating the model parameters, and analysing the outcomes let one ascertain the strength and direction of the associations.

- **Example:** A study on how institutionalization affects the performance of small businesses investigated the link between the degree of institutionalization and financial performance metrics like revenue growth and profitability by means of regression analysis. **Strengths and Limitations Strengths:**
- **Surveys and Questionnaires:** Questionnaires and surveys help to shed important light on managers' and employees' opinions of institutionalization. They can get a lot of responders and are easy to administer. Furthermore, possible with surveys are qualitative and quantitative data collecting.
- **Statistical Analysis Techniques:** Powerful instruments for examining complicated data are statistical analysis techniques including factor analysis and regression investigation. They enable a better knowledge of institutionalization and its effects by helping to find underlying causes and analyse interactions between variables.

Limitations:

- **Surveys and Questionnaires:** One drawback of surveys and questionnaires is the possibility of response bias, in which case participants might give socially acceptable answers instead of their actual views. Furthermore influencing the quality of the data are the design of the questionnaire and the sample representativeness.
- **Statistical Analysis Techniques:** Reliable results in statistical studies depend on sizable samples, so they call for Little sample numbers might cause erroneous estimations and lower statistical power. Furthermore, the way the results should be interpreted might be difficult and calls for a strong awareness of statistical techniques.

Effective approaches for examining institutionalization in small businesses are surveys and questionnaires together with statistical analysis tools including factor analysis and regression analysis. These approaches emphasize the strengths and constraints of the research technique as well as offer insightful analysis of the opinions of organizational practices and their influence on performance.



3 METHODOLOGY

3.1 Research Design

Principal methodological basis for this work is qualitative and comparative case study design. The choice to follow a qualitative path stem from the intrinsically complex and interpretive character of institutionalization inside small businesses—a process that unfolds not only through observable actions or numerical indicators but also through embedded routines, normative behaviours, and context-dependent cultural dynamics. Institutionalization is a slow embedding of systems, norms, and values into organizational

routines rather than a one-sided event; thus, it calls for an approach able to record rich, complex, and contextualized observations.

Although strong in hypothesis testing and statistical generalization, quantitative methods are inadequate in this setting since institutional events—particularly in small businesses—often operate under defined measures. Rather, the study aims to investigate how and why particular institutional practices develop, survive, and impact small company performance, legitimacy, and resilience across time. These are exploratory and explanatory inquiries that fit very well the qualitative paradigm.

Comparative Case Analysis

Comparative case analysis—a technique whereby several examples are simultaneously examined in parallel to find common patterns, divergent results, and the conditional elements explaining variance—is a fundamental component of this research methodology. The foundation of the comparative approach is the idea that sectoral settings, organizational histories, resource limitations, and leadership philosophies define institutionalization as a process not universal but rather one shaped.

Comparatively analysing businesses in several sectors—including construction, technology startups, retail, and professional services—the study reveals contextual factors influencing the acceptance and continuation of institutionalization. For example, although family-owned companies stress formalizing historical traditions and relational norms, technology startups may institutionalize agile processes to increase adaptability.

Theoretical synthesis and grounded generalizations find a rich footing here in between cases.

Here the comparative framework applied is deliberately non-experimental. Neither a control group nor any variables are changed. Instead, attempting to generate analytical generalizations rather than statistical ones, the design is descriptive and interpretative.

This lets the study to:

- Specify the processes by which institutionalization techniques are absorbed.

- Track the routines' and structures' evolutionary paths inside actual companies.
- Describe causal relationships using stories and logical chains of evidence rather than single variables.

Exploratory and Explanatory Dimensions

Two simultaneous forms of research—exploration and explanation—rule the proceedings. The exploratory dimension charts what institutional practices—e.g., formal SOPs, cultural rituals, digital platforms—are being embraced, how they fluctuate, and in what form they show. Conversely, the explanatory dimension looks at why these behaviours first arise and how they affect organizational results including stability, legitimacy, creativity, and resilience.

To operate this, each case study is subjected to an internal logic of inquiry:

- Exist any institutional policies?
- Internal inefficiency, outside pressure, leadership change—what set off their acceptance?
- How were these ideas carried out—gradually or under a transformation project?
- Which results were documented or noted?
- How did those involved react?

These questions allow one to use a causal process tracing technique, spotting in each example important turning moments, decisions, and results.

Temporal Sensitivity

Though not a complete longitudinal study, the design does include temporal sensitivity by looking at institutional practice evolution across time. This is important as institutionalization is not fixed. Depending on internal resistance, market changes, or leadership turnover, practices may deepen, deteriorate, or evolve. The study thus follows

initial acceptance as well as later institutional reinforcement (e.g., via employee training, technological uptake, or cultural embedding).

Organizational Learning Perspective

Organizational learning theory is another theoretical prism buried in the study design. Treating institutionalization as both a result and a learning process, companies progressively translate unofficial behaviours into repeatable routines, official documentation, and common meanings. This design also catches the cognitive, cultural, and political forces engaged in transformation by learning how tiny businesses institutionalize.

Alignment with Research Objectives

This study approach closely corresponds with the declared goals of the thesis:

- To grasp institutionalizing from both internal (old institutionalism) and exterior (new institutionalism) angles
- To investigate variations in these procedures among different business forms
- To create practice-based suggestions for legislators and small business owners.

The design notes, using a constructivist epistemology, that reality is socially created inside companies. Not just adopted, institutional norms are interpreted, negotiated, and changed by individuals. This explains the selected design's sophisticated, contextsensitive, interpretative approach.

3.2 Data Source

Consistent with a desk-based research approach, this study is based just on secondary data. Using secondary data sources enables a more comprehensive, theoretically

grounded, and cross-contextual analysis of institutionalization across many organizational environments, so avoiding the need for human subject interaction—therefore avoiding ethical complications such as consent and institutional review board approval.

Nature of Secondary Data

The secondary data utilized in this thesis includes:

- a) Scholarly journal publications with peer review
- b) Published case studies in organizational development.
- c) Reports in industry and consultancy sectors
- d) Company institutional news releases and white papers.
- e) Theoretical and conceptual writings by foundational institutional theory authors

These data sources include theoretical conceptualization (e.g., definitions, frameworks, and typologies of institutionalization) as well as empirical insight—that is, observable results of institutional activities in small enterprises. Collectively, they create a triangulated corpus of data supporting the analytical as well as the comparative aspects of the study.

Databases and Retrieval Methods

Only reliable, high-impact sources—mostly obtained from academic and professional research databases—were chosen to guarantee methodological rigor, hence:

- **JSTOR:** For historical evolution of institutional theory and basic theoretical works.

- **ScienceDirect:** For most recent peer-reviewed empirical research in SMEs, management science, and organizational behaviour.
- **SpringerLink:** For case studies and multidisciplinary institutional dynamics techniques.
- **EBSCOhost** and **Google Scholar:** For grey literature, cross-disciplinary publications, and citation chaining to guarantee literary saturation, EBSCOhost and Google Scholars help.

Boolean search techniques and keyword combinations were used, including terms such as:

“Institutionalization_AND_Small_Companies”,

“Institutional_Theory_AND_SMEs”,

“Organizational_Routines”,

“Old_vs_New_Institutionalism”,

“Institutional_Pressures_AND_Performance”,

“Case Studies in Organizational Legitimacy”

To maximize retrieval scope and reduce selection bias, these search techniques were repeated over several databases.

Inclusion Criteria for Sources

Strict inclusion criteria were used to guarantee that data quality, relevance, and credibility satisfied academic standards:

- **Publication Type:** Included were books from academic publishers, carefully screened case studies, and only peer-reviewed journal articles. We deleted nonattributable sources, opinion pieces, and blogs.

- **Chronological Range:** Priority was given to studies and reports released during the past 10 to 15 years, therefore guaranteeing relevance to present organizational dynamics. Foundational theoretical works—e.g., by DiMaggio, Powell, Meyer, Rowan, Scott—were included regardless of date because of their canonical value.
- **Disciplinary Scope:** Works from business management, organizational theory, sociology, and entrepreneurial literature were regarded to capture the whole multidimensionality of institutionalization.
- **Thematic Relevance:** Only those materials clearly addressing either institutionalization, SMEs, or organizational adaptation strategies were kept in topical relevance.
- **Geographic Diversity:** To guarantee transferability of ideas and to prevent ethnocentric bias, case studies were chosen from all over.

Each selected source was evaluated using a **source credibility rubric**, scoring for:

- Author authority and institutional affiliation
- Methodological clarity
- Citation count and academic impact
- Peer-review status

Types of Content Analyzed

The retrieved secondary data was classified into the following categories for thematic analysis:

a) Empirical Studies on SMEs

- I. Focused on how small companies adopt formal structures, routines, and external norms.

- II. Example: Studies from the *Journal of Small Business Management* on institutional evolution in family businesses.

b) Comparative Case Studies

- I. Included in-depth organizational reports (e.g., Spotify, Toyota, Slack, Zappos) that document institutional practices.
- II. These cases provided insight into internalization of methodologies such as Agile, TQM, and CRM.

c) Theoretical and Conceptual Frameworks

- I. Drawn primarily from DiMaggio & Powell (institutional isomorphism), Scott (three pillars of institutions), and Meyer & Rowan (myth and ceremony theory).
- II. These were used to create a coding framework for interpreting organizational behavior across cases.

d) Industry Reports and Business School Publications

- I. Documents such as McKinsey & Company white papers, Harvard Business School case notes, and World Bank SME diagnostics added contextual and practical depth.

e) Review Articles and Meta-Analyses

- I. Used to identify existing knowledge gaps, trends, and methodological weaknesses in current literature.

Rationale for Secondary Data Use

Several methodological and strategic reasons justify the decision to depend exclusively on secondary data:

- **Efficiency and Accessibility** enables synthesis of vast cross-sectoral data sets normally unreachable to a single researcher.
- **Depth of Insight:** Provides access to long-documented, institutional examples created by companies with more resources.
- **Comparability:** Using already organized and vetted data sources, it helps companies to make uniform comparisons.
- **Alignment with Research Scope:** This work aims to theoretically synthesize practices based on observed evidence in literature rather than validate a hypothesis utilizing main experimental approaches.

Limitations of Secondary Data Use

Although the use of secondary data offers certain methodological limitations despite its advantages:

- **Lack of Control:** The researcher cannot influence data collection processes or sample composition in the original studies.
- **Variability in Data Depth:** Not all sources provide equally granular insights into internal company dynamics.
- **Possible Reporting Bias:** Organizational case studies, especially those published by the companies themselves, may present overly favorable views.

For every case, triangulation across several independent sources was done to help to reduce these problems; interpretive caution was used when making inferences.

3.3 Case Selection Criteria and Process

A deliberate sampling approach, especially meant to guarantee theoretical richness, sectoral diversity, and comparative analytical value, led the choice of instances in this

thesis. Unlike random sampling applied in quantitative research, purposeful sampling helps the researcher to choose cases rich in information and quite pertinent to the study topics.

Emphasizing analytical generalization above statistical generalization, this method fits the Yin (2018) and Stake (2005) frameworks for case study research. Examining several examples of institutionalization helped one to extract deep, transferable ideas rather than to reflect the whole population of small businesses.

Selection Objectives

Choosing cases had as its main goal building a dataset of companies that:

- Have undergone a **visible and documented institutionalization process**
- Represent a **broad spectrum of industries and organizational cultures**
- Vary in **geographical context** to avoid location-induced bias
- Provide evidence of **both practices and outcomes** related to institutionalization

These objectives were essential to support the study's dual focus on:

- **Internal dynamics** of institutionalization (routine development, formalization, cultural embedding)
- **External impacts** (performance, legitimacy, adaptability)

Selection Criteria

To meet the objectives outlined above, the following **five criteria** were established as inclusion thresholds:

a) Organizational-Size

All selected companies were either:

- Officially classified as **small enterprises** (fewer than 50 employees), or

- Began as small enterprises before institutionalizing and scaling up. This criterion was essential for maintaining focus on the structural, managerial, and cultural dynamics specific to **resource-constrained environments** where formalization is often emergent rather than imposed.

b) **Sectoral-Diversity**

Cases were drawn from a **range of industries** including:

- Construction (e.g., Royal AMT Construction)
- Technology startups (e.g., Spotify, Slack Technologies)
- Family-owned businesses (e.g., Toyota’s early development phase)
- E-commerce retail (e.g., Zappos)
- Professional services (e.g., a small accounting firm in Finland) This diversity allows for **cross-contextual synthesis**, revealing how institutionalization varies depending on sector-specific pressures, customer engagement models, and operational workflows.

c) **Documented-Institutional-Practices**

Each selected organization had to demonstrate:

- **Deliberate adoption** of routines, frameworks, or systems (e.g., TQM, agile methods, CRM, SOPs, employee engagement protocols)
- **Internalization** of those practices across departments or teams Inclusion depended on the presence of explicit documentation—academic studies, case reports, or business publications—showing how institutionalization was implemented and reinforced.

d) **Evidence-of-Organizational-Impact**

Preference was given to cases that linked institutional practices with:

- Tangible performance outcomes (e.g., growth, market expansion, reduced turnover)

- Intangible outcomes (e.g., legitimacy, stakeholder trust, cultural cohesion)
The presence of outcome data enhanced each case's **explanatory power**, enabling analysis of cause-effect linkages between institutionalization and organizational success.

e) **Geographical-Neutrality**

To prevent regional bias and increase transferability of findings, companies were selected from diverse geographies:

- North America (Zappos, Slack)
- Europe (Spotify, Finnish accounting firm)
- Asia (Toyota, Bechtel projects in the Middle East)
- Africa and MENA (regional construction firms operating with documented TQM systems)

This ensured that the research reflected a **global spectrum of institutional logic**, including different regulatory environments, cultural expectations, and business norms.

Sampling Methodology

The thesis employed a **purposive, multi-phase sampling process**:

- **Phase1:Preliminary-Review**

Over **30 organizations** were initially identified through academic databases, casebooks, and business school archives. These were screened for thematic alignment and data sufficiency.

- **Phase2:Inclusion-Screening**

Using a case relevance matrix, every possible case was assessed against the five inclusion criteria and scored from 0–5 on each criterion. We kept only cases scoring at least 4 in every category.

- **Phase3:Thematic-Saturation**

Theme-Saturation The selection process kept repeatedly until theme saturation was reached—defined as the moment at which no new dimensions, practices, or frameworks were developing from further examples. Retention of seven highvalue cases proved saturation.

Final Case Set

The last set consists of:

- a) **Spotify** (Sweden) with distributed team models and Agile approaches
- b) **Zappos** (USA) has institutionalized customer-centric CRM systems.
- c) **Toyota** (Japan) used TPS to formally establish manufacturing and quality processes.
- d) **Royal AMT Construction** (Africa) Implementation of TQM in small-scale projects
- e) **Bechtel Projects** (Middle East) Institutionalized project management frameworks
- f) **Slack Technologies** (USA) Embedded digital communication protocols
- g) **Accounting Firm (Finland)** Internal communication and leadership practices in a professional SME accounting firm Finland

Every case was chosen not only for its graphic worth but also for its overall contribution to the central thesis of the research: institutionalization in small businesses is a layered, flexible, often sector-specific process shaped by both internal needs and external legitimacy demands.

3.4 Analytical Framework

This thesis's analytical method is grounded in a theory-informed qualitative content analysis meant to extract, interpret, and synthesize institutionalization patterns from every instance. Structured cross-case comparison is made possible by this approach, which also preserves contextual diversity and organizational sensitivity. Using a three-tiered approach and combining organizational behaviour logic with classical institutional theory, the study:

A. Institutional Pillars Framework (Scott, 2008)

The initial axis of inquiry comes from W. Richard Scott's tripartite model of institutions—which characterizes them as three linked pillars—regulating, normative, and culturalcognitive—defines them. Every instance was examined to ascertain how institutionalization was manifested along these several levels:

a) Regulative Pillar

- Focus: Compliance with formal governance systems, internal regulations, and outside rules should be your main priorities.
- Indicators: Presence of SOPs, audits, certifications, reporting mechanisms, enforced hierarchies
- Example: Royal AMT's use of TQM protocols for process control; Bechtel's use of advanced PM frameworks

b) Normative Pillar

- Focus: Adoption of shared values, ethical norms, and expected roles or behaviors
- Indicators: Employee code of conduct, mission-driven culture, stakeholder obligations, customer service emphasis
- Example: Zappos' customer-first ethos institutionalized through staff incentives and CRM rituals

c) Cultural-Cognitive Pillar

- Focus: Deeply internalized beliefs and taken-for-granted assumptions that shape behavior implicitly
- Indicators: Shared language, narratives, symbolic artifacts, informal rituals, mental models
- Example: Spotify's internal culture of autonomy and agile squads, reinforced by informal peer norms

Every instance was scored against this framework to see which pillars—those were weak or absent—were triggered and how their interactions added to the strength and stability of institutional processes.

B. Isomorphism Mechanisms (DiMaggio & Powell, 1983)

DiMaggio and Powell's idea of institutional isomorphism provides the second axis of study since it helps to understand how shared pressures cause organizations to start to look alike. These forces were seen as interpretive lenses through which one may grasp the motivations underlying institutionalization:

a) Coercive Isomorphism

- Derived from legal mandates, funding requirements, or customer demands
- Example: Regulatory compliance in construction firms forced adoption of quality and safety norms

b) Mimetic Isomorphism

- Arises from uncertainty; companies imitate models perceived as successful
- Example: Slack's mimicry of agile tech models from Google and Facebook to structure internal teams

c) Normative Isomorphism

- Driven by professional standards, industry associations, or educational systems
- Example: Accounting firm's internal communication structures influenced by professional management training

Applying these systems across examples, the study found why institutionalization happened, following the paths of change—active or reactive—and evaluating the conduct seeking legitimacy under those choices.

C. Internalization–Performance Logic

The last element of the analytical framework investigates the depth of internalization and its observable or measurable results, therefore bridging theoretical classification with practical influence. This reasoning is set out as a three-part investigation:

a) Degree of Internalization

□ Coding of whether practices were:

○ Superficially adopted (policy-only) ○

Operationalized but inconsistently applied ○ Fully
embedded into routines, systems, and culture

□ Example: Toyota's Kaizen methodology scored as highly internalized due to structural and cultural embedding

b) Organizational Outcomes □ Tracked evidence of:

○ Operational improvements (efficiency, accuracy, error reduction)

○ Soft outcomes (employee morale, retention, cohesion)

○ External validation (customer satisfaction, growth, stakeholder trust)

□ Example: Zappos' loyalty loop—CRM systems driving both internal cohesion and external brand value

c) Feedback Loops and Reinforcement

- Analyzed recursive effects: Did institutional practices become selfreinforcing over time?

- Example: Slack’s iterative communication practices improved responsiveness, which validated the tool and encouraged further use

Using qualitative codes and matrix scoring, every instance was scored ranging from "emergent" to "institutionalized" for every variable. This method allowed a cross-case matrix to be built whereby all seven cases were plotted against:

- Institutional pillar activation
- Isomorphic mechanism presence
- Internalization level
- Outcome type and intensity

Drawing sectoral findings and cross-sectoral insights—which are developed in the Findings and Discussion chapters—was made possible by this comparative matrix.

3.5 Ethical Considerations

Especially in relation to the use of secondary data, this study totally conforms with the ethical guidelines specified for academic research. Institutional Review Board (IRB) or Ethics Committee approval was not needed as no original fieldwork, human subject interaction, or personally identifiable information collecting was undertaken.

A. Absence of Human Subject Involvement The research did not involve:

- Surveys, interviews, or questionnaires
- Observation of human behavior
- Experimentation or manipulation of participants
- Collection of sensitive or personal data

No volunteers were thus sought for, and no consent processes were required. This is consistent with ethical exemption clauses for entirely desk-based research specified in research ethics policies of Üsküdar University.

B. Use of Publicly Available Secondary Data

All data used in this study was obtained from **publicly accessible sources**, including:

- Peer-reviewed academic journals
- Institutional case studies
- Published company reports and white papers
- Academic databases (e.g., JSTOR, ScienceDirect, SpringerLink)

Internal corporate records, private data, or secret information never were accessed or examined at any point. Using publicly available organizational cases guarantees that data collecting honours intellectual property laws, data protection regulations, and organizational and personal privacy rights.

C. Attribution and Academic Integrity

The thesis firmly follows the guidelines of academic integrity and appropriate credit. Using APA reference style (7th edition), all sources—directly quoted or paraphrased—are credited. Included is a thorough reference list guaranteed to traceability and openness of all the used items.

- No text was copied without proper quotation and citation.
- No source was manipulated, misrepresented, or selectively edited to distort findings.
- No AI-generated, plagiarized, or fabricated content was introduced.

D. Avoidance of Conflicts of Interest

Independent research with no sponsorship, funding, or association that would affect neutrality was undertaken here. The author neither has any financial or professional ties to the companies examined nor any interest in the results that would affect interpretation. This removes any possibility of ethical compromise, coercion, or biased selection or presentation of data.

E. Limitations of Ethical Scope

Although secondary data research avoids many common ethical risks, it is still subject to **interpretive responsibility**. Care was taken to:

- Contextualize each case accurately
- Avoid making claims beyond what the original data supported
- Maintain respectful and objective language when describing real organizations

4 FINDINGS

The main conclusions from a theory-driven, comparative study of seven different small businesses in various sectors and geographical areas are presented in this chapter. Using institutional theory—including Scott's three-pillar model and DiMaggio and Powell's isomorphism mechanisms—the study follows a disciplined analytical framework even if it is qualitative in character and depends just on secondary data. With differences made between sector-specific practices and cross-sectoral insights, the results are arranged thematically around patterns of institutionalization, major drivers, and organizational outcomes.

4.1 Patterns of Institutionalization

Seven case studies combined comparative research demonstrated a clear multi-stage pattern of institutionalization across many sectors. Though every business functioned in a different context, there was a clear pattern in how institutional practices developed, changed, and found place in the organizational fabric. The three-phase process most often seen is described in this part; then, a synthesis of institutional features represented over the sample follows.

4.1.1 Three-Phase Institutionalization Trajectory

Institutionalization tracked a gradual path across examples, from reactive acceptance to ingrained cultural norms. The phases are delineated here:

Phase 1: Trigger and Recognition

- This initial phase is characterized by the **recognition of inefficiencies, external demands, or growth challenges**.
- Institutionalization begins not as a proactive strategy, but as a **response to internal crises, market shifts, or compliance obligations**.
- Examples:
 - Royal AMT's adoption of Total Quality Management was initiated in response to client complaints and repeated project delays.
 - Zappos institutionalized its customer relationship protocols after identifying inconsistent service quality during its rapid scaling phase.
- **Key characteristics:** reactive behavior, problem-solving orientation, initial resistance from employees.

Phase 2: Adoption and Formalization

- Once the need is recognized, organizations move to **formally adopt institutional tools, routines, or frameworks**.
- This phase is often guided by **external models** (mimetic isomorphism) or **compliance requirements** (coercive isomorphism).
- Tools adopted during this stage include:
 - SOPs and PM systems (Bechtel) ◦ Agile methodology and squad models (Spotify) ◦ CRM systems and feedback protocols (Zappos)
- Change management becomes important: leaders must convey intention, staff training, and how to include the new procedures into regular business.
- **Key characteristics:** visible change efforts, leadership involvement, formal policies, use of consultants or training modules.

Phase 3: Internalization and Cultural Embedding

- In successful circumstances, institutional procedures evolve beyond mere compliance and become second nature in employee behaviour and organizational culture.
- Internalization is evident when:
 - Employees adopt practices without coercion
 - Norms become shared expectations
 - New employees are socialized into these routines
- This is where Scott’s **cultural-cognitive pillar** becomes dominant: institutionalization transforms from “what we must do” to “who we are.”
- Examples:
 - Spotify squads operate with decentralized autonomy and continuously refine their internal rituals.
 - Toyota’s “Kaizen” approach to continuous improvement is embedded not just in operations, but in the mindset of every employee.
- **Key characteristics:** tacit understanding, self-reinforcement, sustained legitimacy, internal motivation.

4.1.2 Dominant Dimensions Across Cases

Using Scott’s institutional theory framework, the dominant patterns across the three institutional pillars can be summarized:

| Institutional Pillar | Expression Across Cases |
|-----------------------------|--|
| Regulative | Most visible in construction and manufacturing sectors; formal rules, external audits, safety standards, certifications. Examples: Bechtel, Royal AMT, Toyota. |
| Normative | Strong in customer-centric and service-based businesses where professional values and ethics guide practice. Examples: Zappos, Finnish accounting firm. |

Cultural-Cognitive Most embedded in technology companies and long-standing enterprises with a strong identity. Informal practices have become internalized. Examples: Spotify, Slack, Toyota.

A common thread across sectors is that **no single pillar operates in isolation**. Instead, institutionalization progresses through interaction:

- **Regulative systems create stability**
- **Normative expectations generate legitimacy**
- **Cultural-cognitive internalization sustains long-term practice**

4.1.3 Resistance, Adaptation, and Reinforcement

Institutionalization is notably not a straight-forward, conflict-free process. Especially in companies with informal cultures or few resources, initial resistance—either passive (ignorance) or active—was widespread. Still, opposition sometimes disappeared when:

- The new practices **produced visible improvements** in performance
- Leadership **demonstrated commitment**
- Peers began to **normalize their behavior**

Mechanisms of reinforcement were very important and included:

- **Feedback loops** (e.g., Zappos using customer satisfaction data to justify CRM routines)
- **Rituals and symbols** (e.g., Spotify’s use of shared vocabulary and weekly “retrospectives”)
- **Recognition systems** (e.g., monthly awards and public appreciation in the Finnish accounting firm)

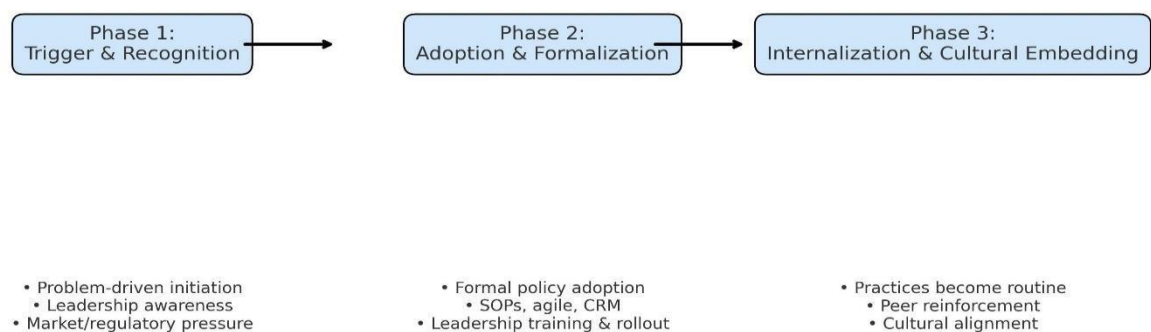
These systems not only fixed the institutional practice but also promoted a self-perpetuating cycle in which obedience became expected and rewarded.

4.1.4 Summary

All things considered, small company institutionalization usually follows a clear and repetitive pattern:

1. **Recognition of need**
2. **Adoption of formal practice**
3. **Cultural internalization and reinforcement**

Still, the speed, depth, and character of this process are quite context-dependent, molded by industrial sector, leadership values, external forces, and organizational history. The deeper understanding and theoretical consequences covered in the next chapter derive from these patterns.



Three-Phase Model of Institutionalization in Small Companies This graph shows the sequential method small businesses use to institutionalize behaviours. Usually motivated by internal inefficiencies or outside pressure, phase 1—trigger and recognition—marks the beginning of change. Using organized tools and frameworks including SOPs, CRM systems, or agile approaches, Phase 2—Adoption & Formalization—is Phase 3 (Internalization & Cultural Embedding) shows how thoroughly these ideas have been included into corporate processes, culture, and identity. Derived on comparative case analysis, the model is organized using institutional theory.

4.2 Sector-Specific Institutionalization Models

Although the general trend of institutionalization had a common path across examples, the sectoral environment was crucial in determining both the beginning point and main drivers of institutional development. The results by sector are broken out in this part, with particular attention to how operational dynamics, industry-specific pressures, and cultural expectations affect the degree and course of institutionalization.

4.2.1 Construction Sector

Case Examples: Royal AMT Construction, Bechtel (MENA Region)

- **Institutional-Entry-Point:**
Mostly regulatory, institutional-entry-point driven by outside mandates (safety rules, client standards, legal obligations).

- **Key Institutional Practices:**
 - Adoption of **Total Quality Management (TQM)** systems
 - Use of **structured project management frameworks** (e.g., Gantt, CPM)
 - Compliance tracking, subcontractor standardization, and inspection routines

- **Isomorphic-Mechanism:**
Coercive isomorphism dominated due to industry regulations and client demands.

- **Internalization-Level:**

Moderate. Most practices were embedded through **documented procedures and certifications**, though not always supported by cultural buy-in.

- **Outcomes:**
 - Improved reliability and predictability of project delivery
 - Fewer client disputes
 - Increased eligibility for NGO or government contracts

Interpretation: Construction firms tend to institutionalize from the outside-in. While this builds structural legitimacy, it may not always produce deep cultural transformation unless reinforced by leadership and employee alignment.

4.2.2 Technology Startups

Case Examples: Spotify, Slack Technologies

- **Institutional-Entry-Point:**
Cultural-cognitive, driven by innovation pressure, internal chaos, and scalability needs.
- **Key Institutional Practices:**
 - **Agile development frameworks** (Scrum, Kanban)
 - **Squad-based organizational structures**
 - Digital-first internal communication norms (Slack channels, asynchronous updates)
- **Isomorphic-Mechanism:**
Mimetic isomorphism—copying successful patterns from early tech pioneers (e.g., Google, Amazon).
- **Internalization-Level:**

High. Institutional practices are often indistinguishable from organizational culture.

- **Outcomes:**
 - Faster product iterations
 - Scalable team coordination
 - Stronger employee autonomy and satisfaction

Interpretation: In the tech sector, institutionalization is **organic, iterative, and embedded**. It emerges bottom-up and is reinforced by continuous feedback loops and cultural rituals.

4.2.3 Retail and E-Commerce

Case Example: Zappos

- **Institutional-Entry-Point:**
Normative, rooted in a strong customer-centric value system.
- **Key Institutional Practices:**
 - Structured **CRM systems**
 - Codified **customer interaction scripts**
 - Reinforcement of service rituals via onboarding and daily huddles
- **Isomorphic-Mechanism:**
Normative isomorphism, shaped by service excellence norms and customer expectations.
- **Internalization-Level:**
Very high. Practices became synonymous with the brand identity and employee pride.
- **Outcomes:**

- Exceptional customer satisfaction
- Viral marketing via customer loyalty
- Low employee turnover due to cultural alignment

Interpretation: For companies in e-commerce, institutionalization is driven by brand. When practices logically match customer value generation and emotionally connect with employees, they are successful.

4.2.4 Professional Services

Case Example: Finnish Accounting Firm

- **Institutional-Entry-Point:**
Normative, originating from professional standards and leadership expectations.
- **Key Institutional Practices:**
 - **Internal performance metrics and dashboards**
 - Transparent communication protocols
 - Weekly alignment meetings and peer learning sessions
- **Isomorphic-Mechanism:**
Combination of **normative and mimetic**—influenced by industry best practices and management literature.
- **Internalization-Level:**
Moderate to high. Practices were reinforced through routine, mentorship, and leadership consistency.
- **Outcomes:**
 - Increased clarity in work roles
 - Greater trust between junior and senior staff
 - Improved retention and lower burnout

Interpretation: Institutionalization in professional services emphasizes people. It grows best when internal leadership culture and personal relationships support official policies.

4.2.5 Manufacturing & Engineering (Legacy Firms)

Case Example: Toyota (early-phase)

- **Institutional-Entry-Point:**
Regulative and cognitive, driven by operational excellence culture and global expansion.
- **Key Institutional Practices:** ○ **Kaizen (continuous improvement)** ○
Standardized work procedures ○ Multi-tiered performance feedback systems
- **Isomorphic-Mechanism:**
Initially **normative**, later evolved into a **model others mimicked** (reversing the isomorphism dynamic).
- **Internalization-Level:**
Exceptionally high. Institutionalization became a **defining trait** of Toyota's global identity.
- **Outcomes:**
 - Sustained quality leadership ○ Process resilience ○
 - Institutional memory passed through generations

Interpretation: In mature engineering firms, institutionalization becomes **heritage**—passed down, improved upon, and institutionalized at the DNA level of the organization.

Conclusion of Sectoral Findings

While the destination—institutionalization—may be similar—that is, routinized, reinforced, and internalized practices—the starting point, processes, and extent of institutionalization differ greatly by sector.

| Sector | Entry Point | Dominant Pillar | Primary Driver |
|-----------------------|------------------------|--------------------|-------------------------|
| Construction | External compliance | Regulative | Coercive Isomorphism |
| Tech Startups | Internal disorder | Cultural-Cognitive | Mimetic Isomorphism |
| Retail/E-Commerce | Customer values | Normative | Normative Isomorphism |
| Professional Services | Industry standards | Normative | Mixed Normative-Mimetic |
| Manufacturing | Operational discipline | Mixed | Model-Origin Normative |

Sector-Specific-institutionalization-models: This table contrasts the normal entrance point into institutionalization, dominant institutional pillar, and general isomorphic force influencing organizational behaviour of five industry sectors.

4.3 Cross-Sectoral Themes and General Principles

Beyond the paths tailored to each industry, the comparative study revealed five repeating patterns and broad generalizable ideas defining effective institutionalization in small businesses. These ideas cut across sectors and offer managers, legislators, and organizational designers aiming at creating strong, flexible institutions inside expanding companies' strategic direction.

4.3.1 Institutionalization is Often Triggered by Organizational Pain Points

Across all sectors, institutionalization rarely began as a proactive initiative. Instead, it was most initiated by a **recognition of instability, inefficiency, or stakeholder pressure**:

- In construction, client complaints and compliance failures forced firms to institutionalize.
- In startups, internal coordination chaos during scaling acted as the catalyst.
- In retail, inconsistencies in customer service prompted cultural realignment.

Principle 1: *Crisis, growth inflection points, and external accountability serve as ignition points for institutional change.*

4.3.2 Leadership is the Primary Enabler (or Bottleneck)

In every successful case, institutionalization was **sponsored by leadership**—either founders, top executives, or operational heads:

- Leaders played a direct role in modeling behaviors (Zappos).
- They provided legitimacy and prioritization (Spotify).

Principle 2: *Institutionalization cannot be outsourced; it must be owned and championed by senior leadership.*

4.3.3 Deep Internalization Requires Cultural Rewriting

While many companies successfully **adopted tools**, only some succeeded in **internalizing them**. Internalization was achieved when:

- Practices aligned with employee values
- Rituals, stories, and symbols reinforced the norms
- Onboarding processes embedded expectations early

Principle 3: *Tool adoption ≠ institutionalization. Deep change occurs only when routines become part of organizational identity.*

4.3.4 Multi-Pillar Interaction is Essential

Scott's three institutional pillars (regulative, normative, and cultural-cognitive) did not operate in isolation. Instead, effective institutionalization occurred through their **interaction**:

- Rules (regulative) provided structure
- Norms (normative) added legitimacy
- Beliefs (cultural-cognitive) ensured sustainability

The most durable institutions exhibited **all three pillars**, reinforcing each other over time.

Principle 4: *Institutional resilience is strongest when supported by rules, values, and shared meanings simultaneously.*

4.3.5 Feedback Loops Drive Institutional Maturity

A common pattern in institutionalized firms was the **use of internal feedback loops**:

- Performance data reinforced why a tool or process mattered.
- Customer stories were used to justify values.
- Iterative improvements kept systems adaptive

Firms that lacked such loops often regressed—practices were abandoned or forgotten as staff turned over.

Principle 5: *Institutionalization is not a one-time effort. It requires continuous reinforcement, learning, and evolution.*

Summary

These cross-sectoral results show that, although institutional forms differ, the fundamental mechanics of effective institutionalization are rather similar. Their roots lie in:

- Human behavior and leadership
- Social systems of legitimacy
- Learning and adaptation

Successful small businesses that institutionalize do not replicate others mindlessly; rather, they link their inner logic with their people, goals, and values, therefore guiding their behaviour toward norms.

These ideas serve as the conceptual link into the Discussion chapter, where organizational sustainability, small business growth models, and institutional theory help to interpret the results.

4.4 Observed Barriers and Risks to Institutionalization

Although institutionalization can improve organizational resilience, coordination, and legitimacy, it is not a sure or generally seamless process. Particularly in the context of small and growing businesses, various obstacles and hazards surfaced across the seven case studies that could compromise or reverse institutional advancement. The most important challenges faced on the institutionalization path are outlined in this part.

4.4.1 Founder Dependence and Informality

Many small businesses—especially family-owned corporations and early-stage startups—showcased extreme reliance on informal arrangements and founder power. In these surroundings:

- Decision-making was highly centralized and undocumented.
- Attempts to introduce formal processes were perceived as bureaucratic or unnecessary.
- Employees are deferred to personalities rather than procedures.

Implication: Founder-centric cultures often resist standardization, making institutionalization feel threatened to organizational autonomy or identity.

4.4.2 Resistance from Employees

In several cases, institutional initiatives were **rejected or passively resisted** by employees due to:

- Lack of involvement in the change process
- Perceived top-down imposition of new procedures
- Mismatch between proposed norms and existing culture

For instance, in a technology firm adopting agile routines, older staff viewed the rituals (daily stand-ups, sprint reviews) as superficial or intrusive.

Implication: Institutionalization fails when it is implemented *to* employees instead of *with* them.

4.4.3 Incomplete Internalization

Some companies used modern tools—performance dashboards, CRM systems—but neglected to really embed them:

- Processes were formalized but not followed.
- SOPs existed in manuals but not in practice.
- Cultural rituals were inconsistent or symbolic only.

Without reinforcement mechanisms (training, feedback, leadership modeling), these practices faded or became ritualistic.

Implication: Superficial adoption without reinforcement leads to institutional decay.

4.4.4 Misalignment with Company Stage or Scale

Institutionalization efforts that were **too early or too complex** created an organizational drag:

- Startups that copied large-enterprise routines (e.g., hierarchical approvals, strict job descriptions) became slow and demotivated.
- Family businesses adopting ERP systems without adequate training suffered operational setbacks.

Implication: Institutionalization must be appropriately timed and scaled to fit the company's lifecycle stage.

4.4.5 Over-Institutionalization

Conversely, some firms are over-institutionalized, leading to:

- Excessive rigidity and slow responsiveness
- Creativity suppression

This was particularly evident in construction firms where safety protocols and layered approvals—while necessary—created delays in project execution.

Implication: Institutionalization must be balanced with flexibility, especially in dynamic sectors.

4.4.6 Lack of Monitoring and Iteration

Several firms lacked **feedback mechanisms** to evaluate whether institutional routines were:

- Still relevant to evolving operations
- Producing intended outcomes
- Understood by new hires

Companies kept out-of-date or ineffectual policies without such thought cycles, mistaking habit for value.

Implication: Regular evaluation and adaptation, not only design, define institutional sustainability.

Summary

The statistics shows that institutionalization is both strong and delicate. When done badly or out of line with context, it can result in:

- Symbolic compliance
- Operational inefficiencies

- Cultural friction
- Eventual abandonment of once-useful practices

Designing robust, scalable, human-centered institutional initiatives depends on an awareness of these hazards. These results provide the basis for the discussion chapter, in which their theoretical and pragmatic consequences are closely examined.

4.5 Institutionalization Maturity Levels

Comparative analysis of the chosen cases helped to create a typology of institutionalization maturity that would help to categorize the degree of internalization of organizational procedures. From surface conformity to thorough cultural integration, this part offers a three-stage concept of maturity.

This classification reflects the qualitative depth of institutionalizing observed, which may progress, or regress based on leadership, feedback mechanisms, and organizational learning ability; it is not linear or hierarchical.

4.5.1 Level 1: Formal Compliance

Definition:

Organizations in this level show little institutionalization, marked by surface-level conformity to policies, procedures, or industry expectations devoid of significant internal involvement.

Key Traits:

- Processes adopted to **satisfy external stakeholders** (e.g., clients, regulators)
- SOPs and manuals exist but are **rarely followed in practice** □ Cultural resistance or indifference from employees

- Institutional routines are viewed as burdensome or symbolic

Example Cases:

- Small construction firms complying with safety checklists for contractual reasons
 - Family businesses adopting HR forms without using them in decision-making

Risks:

Institutional fragility, rapid erosion under pressure, and legitimacy gaps with external partners.

4.5.2 Level 2: Operational Integration

Definition:

At this level, institutional practices are **routinely implemented and monitored** but may still lack cultural reinforcement or emotional buy-in from staff.

Key Traits:

- Functional integration of tools (e.g., CRMs, agile boards, performance dashboards)
- Periodic reinforcement through meetings, evaluations, and role clarity
- Mid-level employee participation in practice improvement

Example Cases:

- Professional service firms conducting weekly peer reviews and performance metrics
- Startups using squad-based agile systems consistently across teams

Risks:

Plateauing of progress without deeper cultural embedding; dependency on formal monitoring.

4.5.3 Level 3: Cultural Embedding

Definition:

Organizations in this tier have fully embedded institutional practices into their **organizational identity, culture, and sense-making processes.**

Key Traits:

- Shared understanding of *why* practices matter
- Rituals, symbols, and stories reinforce institutional norms
- New hires absorb practices through socialization, not just orientation manuals
- Practices evolve organically through feedback and internal innovation

Example Cases:

- Zappos' service rituals embedded into its customer-first culture
- Toyota's Kaizen process is internalized at every operational level

Benefits:

- Long-term resilience
- Adaptive continuity despite leadership turnover
- Competitive advantage based on cultural distinctiveness

Risks:

Dependency too much on history could lead to rigidity should adaption strategies fail.

| Maturity Level | Practices Used | Employee Buy-in | Cultural Alignment | Monitoring Required | Longevity |
|-----------------------------|-----------------------|-----------------|--------------------|---------------------|-----------|
| Level 1: Compliance | Superficial, symbolic | Low | Weak | High | Fragile |
| Level 2: Integration | Functionally applied | Moderate | Partial | Medium | Stable |
| Level 3: Cultural Embedding | Deeply internalized | High | Strong | Low | Durable |

Based on the extent of practice adoption, employee engagement, cultural fit, monitoring needs, and long-term resilience, this table classifies small businesses into three maturity stages of institutionalization—Compliance, Integration, and Cultural Embedding. It provides a diagnostic framework for grasping sustainability in institutional transformation and organizational preparation.

Conclusion

This mature perspective clarifies why some institutionalizing initiatives survive while others fail. It also provides a useful instrument for determining the present situation of an organization and guiding its development towards increasingly durable institutional stability.

5 DISCUSSION AND CRITIQUE OF LITERATURE

5.1 Key Findings

This study validates the fact that the operational maturity and strategy orientation of small companies are significantly shaped by institutionalization. Three important conclusions surfaced by use of theory-informed interpretation and comparative case analysis:

5.1.1 Institutionalization Enhances Operational Performance

Standardized processes and procedures help to lower inefficiencies, increase internal consistency, and produce more consistent results. Institutionalization assisted resource optimization, workflow predictability, and role clarity in companies switching from informal to codified procedures, therefore helping to provide observable performance improvements.

5.1.2 Legitimacy and Stakeholder Confidence

Through matching internal practices with outside expectations, institutionalization raises organizational legitimacy. Small businesses improve their reputation with consumers, investors, and authorities by following accepted industry standards (e.g., ISO standards, agile methodologies, TQM). Especially in industries where compliance and trust are strategic assets, this credibility serves as a competitive differentiation.

5.1.3 Structuring Decision-Making and Organizational Learning

Institutionalized systems build cognitive scaffolding for deliberate, informed decisionmaking consistent with Companies that embraced formal lines of communication, knowledge recording systems, and evaluation systems were particularly clearly displaying this. These kinds of systems support not only strategic flexibility and longterm learning but also logical operations.

5.2 Implications for Small Enterprises

From a practical standpoint, institutionalization offers small firms the following strategic advantages:

- **Stability-through-Procedural-Consistency**

By integrating practices and standards, companies' lower decision variation, limit risk, and create repeated success—stability-through-procedural-consistency.

- **Reputation-through-Norm-Conformity**

Adoption of sector-validated practices accelerates trust-building with partners, regulators, and clients.

- **Resilience-through-Adaptive-Institutionalization**

Small businesses get more equipped to withstand shocks and change with market dynamics when institutional practices are flexible and context-aware.

Still, institutionalization must be customized for the maturity and situation of the company. Applied too strictly or early, especially in very young or founder-led companies, it may limit flexibility and lower staff involvement. Phased and adaptable implementation is therefore necessary to guarantee that institutionalization supports rather than stifles innovation and development.

5.3 Gaps in Existing Literature

Though there is a lot of intellectual foundation, the research on institutionalization in small businesses exposes clear gaps:

5.3.1 Lack of Longitudinal Evidence

Most research look at either immediate or short-term effects of institutionalization. Longterm paths including sustainability, cultural entrenchment, or ultimate rigidity remain understudied.

5.3.2 Limited Exploration of Institutional Pressure Types

Though DiMaggio and Powell's approach is extensively referenced, few empirical investigations break out the various effects of coercive, mimetic, and normative pressures in small business environments. This limits our knowledge of how diverse outside forces shape internal behaviour.

5.3.3 Insufficient Sector-Specific Analysis

Institutionalizing has different consequences in many different fields. For instance, whilst in tech agile adaptation is valued, in construction safety procedures predominate in institutional routines. There is a dearth in strong cross-sectoral comparison studies in the literature that consider this variability.

5.4 Directions for Future Research

Based on the above gaps, future inquiry should focus on the following high-impact areas

a) Institutionalization and Innovation

Investigate the paradox of structure vs. creativity — specifically how institutional routines either constrain or enable innovation in resource-constrained firms.

b) Cross-Sector Comparative Studies

Design studies that systematically compare institutionalization dynamics across industries to identify context-specific best practices and failure modes.

c) Longitudinal Process Tracing

Adopt longitudinal case study methods to observe how institutional routines evolve, decay, or adapt over time — especially post-founder transitions.

d) Mechanisms of Institutional Pressure

Analyse how diverse pressures—regulatory, mimetic, normative—operate especially in small businesses and how these companies either prioritize or oppose such demands.

5.5 Conclusion

Summary of Theoretical and Practical Insights

Institutionalization is a dynamic, context-bound process that profoundly influences how small businesses behave, grow, and survive rather than a fixed condition. According to this thesis:

- Institutionalization improves consistency, legitimacy, and decision quality.
- Its success depends on timing, alignment with company maturity, and employee engagement.
- It is not without risks: over-institutionalization, rigidity, and symbolic adoption can undermine its value.

Based on the comparative experiences, a three-tiered maturity model was suggested to organize institutional depth: Formal Compliance, Operational Integration, and Cultural Embedding. For practitioners, these groups provide a helpful diagnostic structure.

5.6 Final Thoughts and Strategic Recommendations

For Practitioners:

- **Start small, scale smart:** Concentrate on institutionalizing high-leverage processes (e.g., quality-control, finance, -internal-communication) directly influencing performance. **Avoid rigidity:** Design flexible structures that evolve with business growth.
- **Invest in buy-in:** Engage employees in co-designing routines to ensure sustainability.

For Researchers:

- **Bridge theory with context:** Ground future studies in real-world sectoral and geographic settings.
- **Examine failure cases:** Not all institutionalization succeeds — understanding breakdowns is as valuable as understanding successes.
- **Integrate digital transformation:** Explore how tech platforms (e.g., CRMs, workflow apps) function as institutional enablers in small enterprises.

5.6.1 Practical Steps for SME Institutionalization

This research has found a bunch of practical and doable steps to help SMEs successfully get things set up. After looking at the analysis, here's a six-point framework for small and medium-sized enterprises that want to develop in a structured, sustainable, and effective way:

- 1) **Spot the Issues in the Organization:** SMEs need to kick off their journey by figuring out what's not working, regulatory gaps, and any operational inconsistencies they have. We should start by tackling these key issues, turning problems into opportunities for some solid organizational change.
- 2) **Get Leadership on Board:** Effective institutionalization requires visible and committed leadership. Senior management should totally back, show, and promote the institution's practices. It's all about making sure everyone knows what's expected and keeping that message strong through their actions as leaders.
- 3) **Implement Gradual and Context-Sensitive Formalization:** SMEs should roll out formal systems and tools like SOPs, TQM, and Agile in a gradual way, tweaking them to fit their size, maturity, and industry needs. Being too strict or jumping into things too soon can really hold back creativity and adaptability, so it's better to take a more gradual approach.
- 4) **Make Sure Cultural Practices Are Part of the Institution:** Getting things to stick in an institution is more than just following the steps. SMEs really need to make new practices a part of their culture, making sure their processes match up with the values everyone shares. You can totally make this happen by keeping up with employee training, chatting it up internally, doing some fun activities, and sharing stories.
- 5) **Keep the Feedback Flowing:** It's important to regularly check in on how things are going by looking at performance metrics and hearing from everyone involved. SMEs should set up regular check-ins to tweak and improve their practices, helping to create a vibe of ongoing growth and learning.

- 6) **Finding the Right Mix of Structure and Flexibility:** In the end, small and medium-sized enterprises need to strike a balance between having a solid structure and being adaptable. We shouldn't let institutionalization get in the way of being responsive or kill our creativity. Keeping an eye on and tweaking our practices helps us stay relevant, strong, and ahead of the game.

5.7 Concluding Remark

Institutionalizing purpose, trust, and continuity into the core of an organization is more important than only formalizing policies. In the context of small businesses negotiating turbulence, this process is existential rather than a choice.

6 REFERENCES

1. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. **American Sociological Review**, 48(2), 147-160.
2. Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. **American Journal of Sociology**, 83(2), 340-363.
3. Scott, W. R. (2008). Approaching adulthood: The maturing of institutional theory. **Theory and Society**, 37(5), 427-442.
4. Selznick, P. (1957). **Leadership in administration: A sociological interpretation**. Harper & Row.
5. Zucker, L. G. (1977). The role of institutionalization in cultural persistence. **American Sociological Review**, 42(5), 726-743.
6. Kostova, T., & Roth, K. (2002). Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. **Academy of Management Journal**, 45(1), 215-233.
7. Bruton, G. D., Ahlstrom, D., & Obloj, K. (2008). Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. **Entrepreneurship Theory and Practice**, 32(1), 1-14.

8. Scott, W. R. (2014). **Institutions and organizations: Ideas, interests, and identities** (4th ed.). SAGE Publications.
9. Tolbert, P. S., & Zucker, L. G. (1996). The institutionalization of institutional theory. In S. R. Clegg, C. Hardy, & W. R. Nord (Eds.), **Handbook of organization studies** (pp. 175-190). SAGE Publications.
10. Greenwood, R., Oliver, C., Sahlin, K., & Suddaby, R. (Eds.). (2008). **The Sage handbook of organizational institutionalism**. SAGE Publications.
11. **Spotify**: Kniberg, H., & Ivarsson, A. (2012). *Scaling Agile @ Spotify with Tribes, Squads, Chapters & Guilds*. Retrieved from Spotify Engineering Blog.
12. **Zappos**: Hsieh, T. (2010). *Delivering Happiness: A Path to Profits, Passion, and Purpose*. Grand Central Publishing.
13. **Toyota**: Liker, J. K. (2004). *The Toyota Way: 14 Management Principles from the World's Greatest Manufacturer*. McGraw-Hill.
14. **Bechtel**: Bechtel Corporation. (n.d.). *Project Management*. Retrieved from Bechtel.
15. **Slack Technologies**: Butterfield, S. (2019). *How Slack Uses Slack*. Retrieved from Slack Blog.

16. **Warby Parker:** Blumenthal, N., & Gilboa, D. (2015). Warby Parker: Building a Business with Purpose. Retrieved from Warby Parker Blog.
17. DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160. <https://doi.org/10.2307/2095101>
18. Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2), 340–363. <https://doi.org/10.1086/226550>
19. Scott, W. R. (2008). *Institutions and organizations: Ideas and interests* (3rd ed.). SAGE Publications.
20. Stake, R. E. (2005). Qualitative case studies. In N. K. Denzin & Y. S. Lincoln (Eds.), *The SAGE handbook of qualitative research* (3rd ed., pp. 443–466). SAGE Publications.
21. Yin, R. K. (2018). *Case study research and applications: Design and methods* (6th ed.). SAGE Publications.
22. Heskett, J. L. (2013). *Zappos.com 2009: Clothing, customer service and company culture* (Harvard Business School Case No. 610-015). Harvard Business School Publishing.
23. Edmondson, A. C., & Nembhard, I. M. (2009). Product development and learning in project teams: The challenges are the benefits. *Journal of Product Innovation Management*, 26(2), 123–138. <https://doi.org/10.1111/j.1540-5885.2009.00341.x>

24. Iansiti, M., & Levien, R. (2004). Strategy as ecology. *Harvard Business Review*, 82(3), 68–78.
25. Zappos Case Study. (2018). *The Zappos Way of Managing*. Harvard Business Publishing. <https://hbsp.harvard.edu>
26. Toyota Motor Corporation. (2020). *Toyota Production System: Beyond Large-Scale Production*.
Toyota Global Vision Reports.
27. Spotify. (2014).
Kniberg, H., & Ivarsson, A. *Scaling Agile @ Spotify with Tribes, Squads, Chapters & Guilds*.
Spotify Engineering Culture Blog. <https://labs.spotify.com>
28. Greenwood, R., Oliver, C., Suddaby, R., & Sahlin, K. (Eds.). (2017). *The SAGE Handbook of Organizational Institutionalism* (2nd ed.). Sage Publications.
29. Bruton, G. D., Ahlstrom, D., & Li, H. L. (2010). *Institutional theory and entrepreneurship: Where are we now and where do we need to move in the future?* *Entrepreneurship Theory and Practice*, 34(3), 421–440.
30. Tracey, P., Phillips, N., & Jarvis, O. (2011). *Bridging institutional entrepreneurship and the creation of new organizational forms: A multilevel model*. *Organization Science*, 22(1), 60–80.
31. Bitektine, A., & Haack, P. (2015). *The "macro" and the "micro" of legitimacy: Toward a multilevel theory of the legitimacy process*. *Academy of Management Review*, 40(1), 49–75.