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3 **STRONG IN THE MORNING,**
5 **DEAD IN THE EVENING:**
7 **A GENEALOGICAL AND**
9 **CONTEXTUAL PERSPECTIVE ON**
11 **ORGANIZATIONAL SELECTION**
13

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17

19 **ABSTRACT**

21 *A key component of evolutionary models in economics and organizational*
23 *research, the notion of organizational selection is rarely the object of*
25 *inquiry. It generally suggests instead a neutral and unquestioned process, a*
27 *mechanism explaining organizational success and survival. In this chapter,*
29 *we explore the variation of selection; we problematize the notion of selection*
31 *and do an exercise in conceptual genealogy. We differentiate between three*
33 *patterns of firm selection: Darwinian, strategic, and institutional and define*
the associated “embedded rationalities” that buttress those different
selection patterns. We illustrate how selection differed and evolved through
time by exploring two empirical cases – France and the United States.
Building upon our empirical exploration, we stress some important
contributions for three theories familiar to strategy scholars – resource-
based view, population ecology, and institutional theory. We also point to

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1 *some consequences for empirical research and suggest new directions for*
2 *future work on the dynamics of organizational action.*

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5 The idea of selection – whether explicitly or more implicitly – is essential and
6 influential in the economics and organization literature (Nelson & Winter,
7 1982; Aldrich, 1999; Baum & McKelvey, 1999; Hannan, Polos, & Carroll,
8 2007). Often viewed as a mechanism explaining success and survival,
9 selection is in general not treated as an object of study but rather as a neutral
10 or unquestioned process. Selection-dependence models have been developed
11 to account for empirical phenomena (Barnett, 1997; Dobrev, Salih Zeki
12 Ozdemir, & Albert, 2006; Kuilman & Li, 2009) but this has rarely come
13 together with a contextualization of organizational, institutional or societal
14 characteristics (Zucker, 1989; Baum & Powell, 1995). Evolutionary models
15 assume that selection is always operative – it never stops measuring “fit” or
16 sifting declining maladaptive forms (Nelson & Winter, 1982; Nelson, 1990;
17 Carroll & Hannan, 2002; Hannan, Polos, & Carroll, 2007). While, in those
18 models, variations are manifestations of the passing time, selection as a
19 mechanism seems immutable.

20 As Max Weber already alerted us a long time ago, “selection is eternal
21 because no means can be devised to fully extirpate it” but the reasons why
22 conditions favor or undermine a social form or agent “are so manifold that
23 a unitary expression (for this process) would be unsuitable” (Weber, 1978,
24 p. 38; Breiner, 2004, pp. 291–92). More recently, Isaac and Griffin (1989)
25 warned us against the risks of neglecting how much history and theory are
26 intertwined and that time is not “ahistorical” per se. Kieser suggested also
27 that “when confronted with long term developments,” the assumption that
28 “evolutionary mechanisms do not change over time does not hold” (Kieser,
29 1994, p. 612). Those warnings have started to be heeded. A number of notable
30 contributions have attempted to connect more tightly selection-dependent
31 models to particular environmental and institutional contexts (Baum &
32 Oliver, 1992; Dobbin & Dowd, 1997; Ingram & Simons, 2000). On the whole,
33 though, the contingent nature of organizational selection – from both a
34 genealogical and contextual perspective – has remained under-theorized.

35 The object of this chapter is precisely to problematize the idea of selection
36 and to place it at the center of inquiry. Building on March’s (1994) invitation
37 to question the “evolution of evolution,” we consider the variation of
38 selection and even the “selection of selection” over time (see Powell et al.,
39 this volume for a compatible project on “competitive advantage”). Thus, we
propose that both the notion of selection and the value attached to it evolve

1 through time and space. Going one step further, we suggest that different
forms and conceptions of selection reflect different “embedded rationalities.”
3 “Embedded rationalities” are the background frames, the contextual lenses
through which individual and collective actors perceive and read the world
5 (Granovetter, 1985; Zukin & DiMaggio, 1990; Kristensen & Zeitlin, 2000).
As they become dominant and broadly shared within a particular group,
7 as they stabilize in time, those embedded rationalities tend to become
transparent and even invisible to the actors involved. A contextual and
9 contingent understanding is in the process being reinterpreted as reflecting
something like “natural law” (Dobbin, 1995; Dobbin & Dowd, 2000;
11 Ferraro, Pfeffer, & Sutton, 2005).

In order to illustrate and document both the variety of embedded
13 rationalities when it comes to the concept of selection and the process by
which one of these rationalities has progressively taken over and imposed
15 itself as quasi-natural law in the economics and business literature, we do an
exercise in conceptual genealogy (Foucault, 1994). We compare the historical
17 evolution of the concept of selection in France and in the United States.
We choose these two countries because they constitute distant alternatives,
19 in history, with respect to principles of economic action and organization
(Dobbin, 1994; Djelic, 1998; Hall & Soskice, 2001). From this empirical
21 exploration, we are able to provide evidence for and systematically
differentiate between three patterns of selection that reflect and suggest
23 strikingly different embedded rationalities – Darwinian selection, strategic
selection, and institutional selection. The universalizing use of the concept of
25 selection, dominant in a lot of the strategy literature in particular, refers in
fact to Darwinian selection – hence to one pattern of selection among others.

27 As we progress through our empirical exploration, we aim to contribute
more particularly on three main issues that are also weaknesses, we propose,
29 in contemporary theorizing. The first issue is the lack of contextualization of
the concept of selection in most of the current economics and business
31 literature. In this chapter, we question such a decontextualized understanding
of selection. We propose that the emergence of organizational forms and
33 speciation might result not only from variations of those forms but also from
different selection patterns dominant in different contexts. The emergence of
35 organizational forms can reflect, in other words, a variation of the notion of
selection through time and place. A second issue we consider is that of the
37 consequences of selection. Some contributions tend to associate selection
with isomorphism and convergence (Hannan & Freeman, 1977; DiMaggio &
39 Powell, 1983; Scott, 1995). Others argue instead that selection leads to
speciation as expressed by different organizational forms and strategies

1 (Amburgey, Dacin, & Kelly, 1994; Rao & Singh, 1999). We suggest that these
2 different and sometimes contradictory findings question the validity of a
3 universal and decontextualized understanding of selection. A last issue for
4 consideration is the level of analysis. In strategy as in biology, there is a
5 debate as to where selection operates and dominant influence really lies –
6 genes, individuals or species in biology (Dawkins, 1989; Hull, 2001),
7 resources, firms, or populations in strategy (Barney, 1991; Aldrich, 1999;
8 Carroll & Hannan, 2002). This raises the question of where selection really
9 applies when scholars invoke selection efficiency. We suggest that there could
10 be variability in dominant patterns of selection across levels of analysis. One
11 could see, for example, a dominant pattern at the national level and pockets
12 at the industry or organizational levels (sometimes quite important ones)
13 reflecting and revealing other patterns of selection.

14 This chapter has three main sections. First, we define our concepts –
15 selection, selection patterns, and embedded rationalities – and briefly present
16 our methodology. Second, we present a conceptual genealogy of the notion of
17 selection in France and in the United States. These two cases are used as
18 illustrations. Third, we suggest a number of theoretical and empirical
19 implications. Overall, at the theoretical level, we argue that evolutionary
20 models should come to be informed by a contingent understanding of
21 selection patterns. At the empirical level, we propose that future studies
22 should include more indicators to control for alternative conceptions of
23 selection and avoid sweeping and problematic generalization (Denrell, 2003;
24 Ferraro, Pfeffer, & Sutton, 2005). At a more practical level, we contend that
25 any conclusion on the effectiveness of particular managerial practices and
26 strategic decisions should be taken with heightened caution and considered in
27 light of contextual “embedded rationalities.”

29

30 **DEFINITIONS, THEORETICAL** 31 **EXPLORATIONS, AND METHODS**

32 Right after World War II, strategy and business studies imported the
33 evolutionary tradition from social science and economics (Campbell, 1965,
34 1990; Hodgson, 2002; Bowler, 2003). Evolutionary models soon became
35 highly influential and were applied, from the mid-1970s on, to populations
36 as well as to organizations (Hannan & Freeman, 1977, 1984; Aldrich, 1979;
37 McKelvey, 1982). According to these models, inspired by Darwin’s seminal
38 work in biology and its further development through population genetics,
39 selection comes after variation – i.e., a significant and heterogeneous

1 alteration of an entity. Selection is the operation through which certain
 2 variations are retained while others disappear.

3

5

Selection Patterns

7

In evolutionary models set within this tradition, selection is somewhat of a
 8 black box, a neutral and unquestioned mechanism. For the selection pattern
 9 that tends to be dominant in these models, we use the label “Darwinian.”
 10 However, if we consider the organization and business literature that does not
 11 inscribe itself in an evolutionary tradition, we are able to identify different
 12 patterns of selection. We consider, in particular, two alternative patterns of
 13 selection – that we label respectively “strategic” and “institutional” selection.
 14 As it is impossible to review all research dealing with organizational selection
 15 in strategy, organization theory and adjacent fields, the picture we provide of
 16 selection patterns’ main dimensions is naturally schematic. We differentiate
 17 between our three ideal-types along five main dimensions (Weber, 1978): the
 18 driving principle of selection, the dominant selection criterion, the outcome of
 19 selection, the nature and time dimension of the evolution process as a whole,
 20 and the role in return of given agents in the process. Table 1 brings together
 21 the comparison of our three selection patterns.

23

Evolutionary models in strategy and business studies are for the most part
 associated with Darwinian selection (Baum & McKelvey, 1999). The driving

25

Table 1. Selection Patterns.

27

	Darwinian Selection	Strategic Selection	Institutional Selection
29 Driving principle of firm selection	Market	Power	Network
31 Selection Criteria	Necessary Based on economic efficiency	Contingent Defined by powerful agents	Contextual Dependent on institutional norms
33 Role of firms	Evenly distributed Insignificant	Unevenly distributed Weak	Unevenly distributed Potentially strong
35 Outcome for the firm	Progress	Exemplarity	Legitimacy
37 Process of evolution	Gradual	Gradual and potentially radical	Coevolutionary
39 Embedded rationality	Liberal-conservative	Interventionist	Normative

1 principle of Darwinian selection in strategy and business studies is the
2 market mechanism that filters through multiple variations at the firm or
3 population level (Baum & Dobbin, 2000; Hannan & Freeman, 1977, 1984).
4 The dominant selection criterion is market or economic efficiency. Selected
5 variations are those that maximize the fit of an entity with its environment
6 and carry relative advantages in terms of cost, efficiency, productivity,
7 or innovativeness. The relative advantage of variations is randomly
8 distributed at the population level and predominantly expressed in terms
9 of technological or market advance (Nelson & Winter, 1982). Darwinian
10 selection generates technological and economic progress, favoring as an
11 outcome surviving (i.e., superior) firms and customers (Nelson, 1990). The
12 ensuing process of evolution is gradual through time: firms or populations
13 change incrementally rather than through radical jumps (Carroll & Hannan,
14 2002). Finally, in Darwinian selection, the impact of a particular firm on the
15 process of selection is hypothesized as insignificant.

16 If we plow through the richness of business studies, we do find evidence
17 that selection can be conceived of in other ways. “Strategic selection” is one
18 possible alternative (see also Seidl et al., this volume). The driving principle
19 there for selection is power. Some actors have the power and capacity to
20 carve, shape, and transform the economic landscape and to orient the
21 process of selection (Pfeffer & Salancik, 1978). High-handed fiat of this kind
22 is the prerogative of powerful agents, i.e., star CEOs of large firms or key
23 political decision makers (Murtha & Lenway, 1994; Ingram & Simons,
24 2000). Selection criteria are then contingent and reflect the objectives,
25 values, interests, and projects of these key actors (Useem, 1982; Boddewyn
26 & Brewer, 1994; Dobbin & Dowd, 2000). An important outcome of strategic
27 selection is exemplarity. The selected form becomes a symbol; the selected
28 firm becomes a champion of national ambitions and identity. A number of
29 illustrations come to mind: Nokia in Finland, Siemens in Germany, Zara
30 in Spain, and so forth. The process of evolution tends to be gradual, as a
31 whole, but the possibility exists of radical reorientation reflecting power
32 shifts or major national decisions. We find examples of that in the profound
33 transformation of the English national business system in the 1970s and
34 1980s or in the radical reorientation of the Finnish innovation system during
35 the 1990s. Finally, the capacity to influence is not evenly distributed – access
36 to key nodes of power (economic or political) being the lever here. On the
37 whole, though, and on average, a given firm is not influential (Russo, 1992).

38 The literature also points to another potent ideal-type – “institutional
39 selection.” The driving principle, there, is the network. The structure of the
40 network, position in the network, status-ordering indicators and fit with

1 social, institutional, and cultural norms and values condition a firm's
2 survival and performance (Zukin & DiMaggio, 1990; Baum & Oliver, 1992;
3 Uzzi, 1999; Kogut & Walker, 2001). Selection criteria are contextual and
4 may change through time. They depend on institutional norms and
5 dominant ideological and cultural paradigms (Fligstein, 1990; Fiss & Zajac,
6 2004; Rao, Monin, & Durand, 2003; Zajac & Westphal, 2004; Simmons &
7 Elkins, 2004). The key outcome for selected firms is legitimacy. Legitimate
8 firms will survive – and they could be at the very same time quite inefficient
9 in market or technological terms, i.e., strong survivors but weak competitors
10 (Barnett, 1997). The process of evolution as a whole is, in this perspective
11 coevolutionary – shaped by reciprocal interactions and influences between
12 firms and institutions (Lewin & Volberda, 1999).¹ The role of firms in the
13 selection process is unevenly distributed and could potentially be quite
14 strong. The structure and nature of networks and status-ordering indicators
15 depend in part on firms themselves, particularly in their interaction with
16 specific agencies (e.g., professional associations, accreditation agencies,
17 administrative bodies, lobbyists). Under institutional selection, the possi-
18 bility for given actors or firms to influence the criteria of selection does exist
19 through an involvement in the elaboration of rules, norms, and standards
20 (Zucker, 1988; Fligstein, 2001; Garud, Jain, & Kumaraswamy, 2002; Rao
21 et al., 2003; Djelic & Sahlin-Andersson, 2006).

23

Embedded Rationalities

25

26 The patterning of social life reveals not only the aggregation of individual
27 and organizational behaviors but also the presence of structuring institu-
28 tions. This, essentially, is the idea behind the concept of “embeddedness”
29 (Weber, 1978; Granovetter, 1985; Powell & DiMaggio, 1991). Building
30 upon the notion of embeddedness, we define “embedded rationalities” as
31 the background frames, the localized lenses through which individual
32 and collective actors see the world. For readers familiar with Foucault's
33 work, the idea of “embedded rationalities” proposed here is quite close
34 to Foucault's concept of “episteme” – i.e., “the unconscious of knowledge,
35 a level that eludes the consciousness of the scientist” and more generally of
36 the actors themselves (Foucault, 1994). This idea finds further convincing
37 expression in Frank Dobbin's work (see also Djelic, 1998; Kogut & Walker,
38 2001; Hall & Soskice, 2001; Guillén, 2002). Dobbin (1994) argues that the
39 development of railways in the United States, Britain, and France during the
19th century was nationally specific and that the process reflected in each

1 case a unique political and industrial culture only visible from an outsider's
2 standpoint. Those national political and industrial cultures are, in Dobbin's
3 account, stable and long-lasting frames, shaping institutional arrangements
4 and policies in those three countries over the long term. The conclusion
5 Dobbin reaches is that there can be several efficient ways to organize a
6 given industry, contingent upon the embedding national culture or, as we
7 would call it here, contingent on the "embedded rationality." In time,
8 when embedded rationalities stabilize, they have a tendency to become
9 transparent and invisible to the actors involved. The following account of
10 transformations in the American railway industry nicely illustrates the idea
11 that contextual frames can become taken for granted and harden, as it were,
12 into perceived "natural" or extra-social laws:

13

14 When federal law encouraged price fixing, analysts had dubbed the rail industry
15 'naturally cooperative'. Yet, after federal law outlawed cartels and enforced price
16 competition, leading railroads to merge to escape rate wars, analysts dubbed the industry
17 'naturally monopolistic'. Instead of drawing the lesson that government anticartel law
18 made merger a sensible business strategy, analysts drew the lesson that economic laws
19 produced antitrust legislation and competitive pricing alike. In short, by beginning with
20 the premise that policy choices are driven by extra-social economic laws, analysts
21 naturalized policies and hence presumed that they did not need to be explained (Dobbin,
22 1995, pp. 278–279).

21

22 While embedded rationalities tend to be quite stable and resilient, they are
23 not, naturally, completely impervious to change. Change can be envisioned
24 as radical rupture at breaking points or moments of crisis, often in the face of
25 external shocks (Djelic, 1998; Hanson, 1998; Mahoney, 2000). More recent
26 contributions, though, tend to suggest that change of embedded rationalities
27 can also be of a more gradual but transformative kind, as it were a partly
28 endogenous logic (for a more systematic review see Djelic & Quack, 2007).
29 Certain studies suggest the importance of interpretation (Fligstein, 1990;
30 Campbell, 2004) or "mindful deviation" (Garud & Karnoe, 2001) as a
31 mechanism opening up the possibility for change. Other contributions point
32 to the importance of the "diffusion" of embedded rationalities and to
33 associated processes of translation, adaptation, and hybridization (Jacoby,
34 2000; Campbell & Pedersen, 2001; Djelic, 2006). Others still emphasize the
35 fact that several embedded rationalities, including contradictory ones, **AU:3**
36 can coexist in a particular institutional space (Crouch & Farrell, 2002;
37 Schneiberg, 2007). At any point in time, some may be active and others
38 dormant, but subtle external or internal pressures may lead to a rebalancing
39 (Morgan & Quack, 2005). On the whole, we propose that embedded
40 rationalities are more likely to change through an historical sequence of

1 multiple junctures that cannot be fully anticipated, reflecting a combination
2 of external and internal pressures, rather than through a major, externally
3 driven jolt or crisis (Djelic & Quack, 2007).

4 Organizational selection reflects at a particular point in time and space
5 dominant embedded rationalities. For us, selection is a mechanism that
6 legitimizes organizational demise or success (Durand, 2006). Hence, to
7 understand the meaning of firm performance and survival in a particular
8 context, we need to make explicit which type of selection pattern is effective
9 and which embedded rationality prevails. In a purely theoretical endeavor,
10 we characterize here the embedded rationalities that correspond to each of
11 the three selection patterns – empirical illustration will follow in the next
12 section. Darwinian selection, we propose, fits with a *liberal-conservative*
13 embedded rationality where selection (1) is thought of as a natural principle
14 (2) that promotes economic efficiency and (3) responds to a vision of natural,
15 predetermined, and gradual progress. Strategic selection corresponds to an
16 *interventionist* embedded rationality where (1) selection abides by principles
17 enforced by powerful actors whose authority and legitimacy are accepted,
18 (2) serves particular if not particularistic interests, and (3) needs to be
19 counterbalanced by more or less potent counter-powers. Institutional
20 selection, finally, points to a *normative* embedded rationality where selection
21 (1) emanates from collective frames, (2) defends an entrenched sharing of
22 economic surplus reflecting past negotiations and power plays, and (3) is
23 enacted through powerful and stable institutions that embody norms for
24 organizational survival. These different rationalities can coexist; although,
25 depending on eras and areas, one type of embedded rationality might prevail
26 over others.

27

28

Some Theoretical Explorations

29
30
31 If we accept the diversity of selection patterns and connect it to a variability
32 of embedded rationalities, then this implies that the outcomes of organiza-
33 tional selection are contextual and contingent. We explore, theoretically,
34 three different and consequential outcomes in turn – firm performance, the
35 nature of entrepreneurship, and the nature of competition.

36 With respect to firm performance, different selection patterns will have
37 a different effect. In Darwinian selection, many entrepreneurial ventures
38 are launched and succumb rapidly to the liability of newness. The relative
39 advantage of firms is temporary, individual firms cannot influence the
40 selection criteria and abnormal returns will exist but tend to be not

1 sustainable. As a consequence, the variance of performance between firms
2 could be quite high but the observed mean of performance should be
3 relatively low. In strategic selection, the role of powerful agents is critical and
4 it has an impact on industry structure. In general, it will favor a situation
5 where, in a given industry, a small number of major players (and at the
6 extreme a single national champion) coexist with a plethora of small and
7 dependent firms. Major players act as buffers for smaller companies (often
8 suppliers and co-contractors) with unequal performance. Smaller firms
9 survive because a few major companies absorb the cost differentials relative
10 to more competitive suppliers. Altogether, because of this socially accepted
11 counterbalancing mechanism of price and profit regulation, the observable
12 mean of firm performance should be moderately high and variance should
13 be low. In institutional selection, firms may have a significant influence on
14 selection criteria, depending on their structural position and their political
15 and social legitimacy. Oligopolistic situations are likely to correspond to this
16 selection pattern, where a few very large firms compete for leadership. There
17 is no accepted industry leader and members of the oligopoly vie for the
18 position, bringing about instability for their network of suppliers and allies.
19 Under institutional selection, firm performance is likely to be higher on
20 average than under other selection patterns owing to the oligopolistic form of
21 competition. At the same time, firm performance will also reflect the nature –
22 and in particular the stability – of the firm network. Therefore, the variance of
23 firm performance is likely to be fairly high.

24 Not only do selection patterns affect firm performance, they also impact
25 upon the nature of entrepreneurship. A Darwinian selection pattern is
26 conducive to a traditional form of entrepreneurship – namely technological
27 or market entrepreneurship (Shane & Venkataraman, 2001). In this context,
28 those who are the first to recognize and seize technological or market
29 opportunities will strongly benefit. A strategic selection pattern calls for
30 a different type of entrepreneurial resource to outperform competition.
31 Political entrepreneurship is likely there to be more appropriate. Political
32 entrepreneurship seeks to influence selection criteria, through cliques and
33 clans and access to political decision makers (Murtha & Lenway, 1994;
34 Russo, 1992). Finally, an institutional selection pattern calls for cultural
35 and institutional entrepreneurship. Cultural entrepreneurship suggests the
36 infusion of strategies and business propositions with meanings and “stories”
37 that resonate with the broader cultural environment (Lounsbury & Glynn,
38 2001). Institutional entrepreneurship suggests that companies find ways to
39 intervene in the development of new rules and norms for the competitive
game (Garud et al., 2002; Hardy & Maguire, 2008).

1 Finally, the diversity of selection patterns also reflects upon the nature of
2 competition – and more particularly upon the time dimensions associated
3 with competition. Prior research has pointed at the critical effect of time in
4 strategy research, through a focus on timescales and temporal intervals
5 (Zaheer, Albert, & Zaheer, 1999), on causal sequence and influence (Mitchell
6 & James, 2001), or on statistical validity in longitudinal analyses (Isaac &
7 Griffin, 1989). In particular, Isaac and Griffin (1989), Zucker (1989), and
8 Zaheer et al. (1999) remark that timescales matter as much as levels of
9 analysis and distinguish micro- and macro timescales. Reflecting on this
10 matter from our genealogical perspective would seem to bolster this claim. In
11 particular, we propose that the pace and timescale stability prevailing among
12 competitors are closely dependent on selection patterns. A gradual but
13 continuous process of change in Darwinian selection means that the pace of
14 change in this selection pattern is rapid. But the short-lived competitive
15 advantages associated with Darwinian selection induce high variability both
16 at micro- and macro timescales – *strong in the morning, dead in the evening*.
17 The situation is different when strategic selection predominates. Changes are
18 more observable at the macro level through visible industrial reorganization
19 that sets the rhythm of competition. At the microscale level, we find
20 more stability within the circle of smaller competitors. Finally, institutional
21 selection means a slower pace of change because of the coevolutionary
22 process implied by successive rounds of negotiation and network influences.
23 Oligopolistic players defend their position through lobbying activities and
24 social intervention and, in the process, protect themselves from failure.
25 Macroscale time variability is therefore limited. At the same time, the
26 increasing density of legitimacy pressure and the multiplication of actors
27 there (watchdog associations, NGOs, accreditation bodies, standardizers,
28 rating agencies, and other third parties) generates intense activity. Microscale
29 time variability could therefore be quite high.

31

Methods for a Conceptual Genealogy

33

34 Our objective in this chapter is to problematize the concept of selection and
35 to address in particular the three issues outlined in the introduction – lack of
36 contextualization, expected consequences of selection, and level of analysis.
37 With this objective in mind, we engage in conceptual genealogy, tracing the
38 changing understandings of the word “selection,” and their embeddedness
39 in different contexts. Conceptual genealogy is a “history of interpretations,
the history of words, ideals and metaphysical concepts” (Foucault, 1984,

1 pp. 91–93). The rationale behind such an approach is the conviction that
2 social activity is contextual. A naturalistic and ahistorical use of concepts
3 places major limits, we suggest, on our understanding of social reality,
4 with problems such as theoretical inadequacy, confusion in analysis, and
5 dubious validity of the concepts used. A deeper understanding “presupposes
6 knowledge (...) about the alternative interpretations of concepts that the
7 historical agents had in their hands” (Palonen, 2002). Conceptual genealogy
8 has been gaining ground in social sciences in general, as a counterweight
9 to the dominance of normative and naturalistic approaches and methods
(Skinner, 2002; Koselleck, 2002; Palonen, 2002).

11 Conceptual genealogy implies the use of historical analysis as a
12 methodological tool. There is still today a profound epistemological gap
13 between historians on the one hand and organization and strategy scholars on
14 the other (see also Suddaby et al., this volume). Historians would reproach
15 strategy and organization scholars for their disregard of “differences in culture
16 or time”, for “squeezing phenomena into rigid categories and to top it all” for
17 “declar(ing) these activities as scientific” (Kieser, 1994, p. 612). Strategy and
18 organization scholars in turn “see historians as myopic fact collectors without
19 a method, the vagueness of their data matched only by their incapacity to
20 analyse them” (Kieser, 1994, p. 612). Such a gap is detrimental to a more
21 accurate understanding of organizational situations that are unique and
22 historically path dependent but still can be framed in theoretical causal chains
23 (Schneiberg, 2006; Durand & Vaara., 2009). The good news is that such a
24 weakness has been well diagnosed and that calls for bridging this gap are
25 becoming louder and clearer (Isaac & Griffin, 1989; Kieser, 1994; Clark &
26 Rowlinson, 2004; Üsdiken & Kieser, 2004; Booth & Rowlinson, 2006).

27 There are different ways to try and propose a dialogue – i.e., to reconcile
28 an attention to historical complexity with the search for theoretical
29 regularities. The one we have chosen here is to work through a combination
30 of “ideal-types” (the selection patterns and embedded rationalities) and
31 case comparison (Weber, 1978). We naturally do not pretend to historical
32 exhaustiveness but we choose a meaningful and telling comparison
33 (Chandler, 1962; Foucault, 1994; Yin, 2002; Schneiberg & Clemens, 2006).
34 We draw our empirical material from two country cases – France and the
35 United States – because they epitomize two strikingly different systems of
36 economic action and organization (Whitley, 1999, Hall & Soskice, 2001) and
37 as such make for a good and more powerful comparative set (Skocpol &
38 Sommers, 1980, p. 183). We do not fall into historical anecdotes but we are
39 not deductive either. We describe briefly the ideological and institutional
40 contexts in both countries and argue that those influenced the particular

1 meanings that came to be attached to the concept of selection in each case as
2 well as the associated outcomes.

3
4
5 **SELECTION IN FRANCE AND IN**
6 **THE UNITED STATES: AN HISTORICAL FORAY**
7

8 France and the United States are often depicted and represented in the
9 literature as constituting distant alternatives with respect to principles of
10 economic action and organization (Dobbin, 1994; Djelic, 1998; Whitley,
11 1999). On a number of dimensions, this can easily be documented. At the
12 same time, an historical foray into the “variation” of “selection” in both
13 countries points to a more messy picture. In each of the two country cases, we
14 find variability and variation, through time, in selection patterns. We also find
15 that projection at the level of discourse has sometimes been singularly
16 decoupled from what happened in reality with respect to selection patterns. In
17 this section, we explore this complexity.

18
19 *France and the Dominance of Strategic Selection*
20

21 Colbertism, or high-handed political fiat in economic affairs, can easily be
22 associated with the strategic selection pattern as we have defined it earlier in
23 this chapter. Unmistakably, Colbertism has profound roots in France. Still,
24 a foray into French economic history shows that the dominance of this
25 selection pattern was at times contested. This was true, for example, between
26 1774 and 1776 when Turgot was Minister of Louis XVI and pushed forward
27 the ideas of the Physiocrats. This was also true both at the end of the 19th
28 century and after World War I, when *laissez faire*, economic liberalism,
29 and Darwinian selection tended to dominate. Colbertism again came to be
30 contested in the 1990s and early 2000s when the neoliberal wave put its mark
31 on France as on many other countries (Campbell & Pedersen, 2001; Hancké,
32 2002; Djelic & Amdam, 2007; Mirowski & Plehwe, 2009). The 2008–2009
33 crisis clearly dealt a blow to this latest offensive of liberalism and Darwinian
34 selection. In short, and over the long period, Colbertism seems to have had
35 the upper hand in France.

36
37 *French Physiocrats as Local Champions of Darwinian Selection*

38 The term “Physiocracy” means “government of nature” and refers to
39 an intellectual school that flourished in France during the 18th century.

1 The Physiocrats believed and claimed that the only source of wealth for a
3 nation lay in its agricultural production. François Quesnay, the main figure
5 of that school of thought, repeatedly argued that agricultural activity was
7 the only productive activity. The reasoning was that only the earth could
9 really produce value and surplus – in the sense of producing something new
11 where there had been nothing. Coupled with this vision of an agricultural
13 powerhouse driving national wealth was a set of conditions that would
15 smooth the process and stimulate wealth creation. A starting point was the
17 principle that each individual strove to maximize her own satisfaction with a
19 minimal amount of trouble and effort. From this understanding of “human
21 nature,” the Physiocrats derived the doctrine of Natural Harmony. They
23 claimed that the aggregate maximization of individual satisfaction would
25 necessarily and naturally mean a maximization of satisfaction for the
27 collective and for society as a whole. And they called for a reduction if not
29 disappearance of what they saw as possible impediments to the maximiza-
31 tion of individual and hence collective satisfaction. In that context, they
33 argued for *laissez faire* and free trade, championing the removal of barriers
35 to exchange and trade. They extolled competition and denounced
corporations as well as unjustified situations of monopoly. Unsurprisingly,
Adam Smith held the Physiocrats in high esteem. There is a fair degree of
compatibility between the *Doctrine de L’Harmonie Universelle* and Adam
Smith’s reliance on the invisible hand of the market.

Hence, classical economic ideas coupled with an understanding of
organizational selection as a natural principle that promotes economic
efficiency were available in France from the 18th century on (see also Powell
et al., this volume). What is more, they were available as homegrown
tradition, not as a mere product of intellectual importation. However, in their
institutional struggle against mercantilism and over the long period, the
Physiocrats and later on the liberals and the neoliberals were dwarfed
in France. Altogether, they failed to take over, secure or create those
institutional hubs that could have stabilized, perpetuated, and diffused their
theoretical system. Darwinian selection, and its corresponding liberal-
conservative embedded rationality, were never lastingly installed as a
consequence.

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35

A Dominant Paradigm – Colbertism and High-Handed Fiat

37 Jean-Baptiste Colbert became Finance Minister of Louis XIV in 1661 and in
39 that function he set a path that would structure for many years, and even
centuries, economic development in France. Colbertism was historically the
archetype of French mercantilism. Colbert and his central administration

1 encouraged the multiplication of manufactures that sold high value-added
2 goods and thus contributed to the inflow of precious metals. The French
3 administration granted a number of privileges such as exclusivity over a
4 market for a given period of time. It gave seed capital to initiatives it sought
5 to encourage. The Colbertist administration stimulated national industry
6 through control of foreign trade, subsidies to French exporters, and high
7 tariffs on foreign goods. Colbert also barred foreign trade in French
8 colonies, keeping the latter as exclusive purveyors of raw materials for
9 French firms and reserved markets for French goods.

10 Some of the features of early Colbertism would influence, time and again,
11 French economic policy in the following centuries. The Second Empire
12 (1852–1870) was another period of high-handed fiat and strong political
13 monitoring of the economy. France built its railways then, launched a large-
14 scale industrialization process, and modernized its banking system – all
15 under strong impulse and direct control of the sovereign state. The
16 interdependence between the polity and the economy has clearly been a
17 lasting and highly structuring feature of French political economy,
18 characteristic of early Colbertism, the Second Empire or even more recently
19 of the period of economic development that followed World War II well
20 into the late 1980s (Djelic, 1998).² Most of the time, this interplay has meant
21 in fact partial subservience of the economic sphere to bigger and wider goals
22 – related to state building and national development.

23

24 *France and the Practice of Strategic Selection*

25 All in all, principles of economic action have had more to do over the past
26 three centuries in France with Colbertism than with physiocratic inspiration.
27 In Colbertism, selection is not a natural and gradual process brought about
28 through competition – as is the case with Darwinian selection. Nor should it
29 play at the micro level since particular individuals and organizations have
30 only partial and distorted visions and interests. Instead, central power
31 emerges as the main driving principle of selection; we can talk of “high-
32 handed fiat.” The hand exists and it is the highly visible hand of the polity –
33 even if there can be sometimes delegation at the industry or at a local or
34 regional level. This central polity should establish and guarantee order,
35 organization, and rational discipline within its territory. It should direct and
36 supervise the combination of individual efforts so as to ensure a better
37 position on the international scale for the collective being as a whole, i.e.,
38 the nation. Competition can be envisioned but merely as a tool to be used
39 sparingly to stimulate production and efficiency in particular situations.

1 This tool should remain under the full control of either an interventionist
central power or of corporatist and professional bodies.

3 From the mid-18th century, French industries have been structured
and protected by various forms of professional or industrial arrangements.
5 Guilds were key players in the early part of the period. They slowly
gave way in time and ententes or loose cartels took over, particularly
7 after 1870. Cartels were used to stabilize relationships between members of
an industry. The idea was to prevent destructive struggles and shelter
9 firms from rapid or radical technological shifts. Through industry-wide
agreements, prices were kept at a level where less efficient firms survived and
11 more efficient ones prospered, enjoying higher profits than could have been
possible in a competitive context. Auguste Detoef, a leader of the French
13 business community before World War II and Chairman of the large French
electrical company, Alstom was clear about it:

15

17 Agreements and cartels, because they protect us from the destructive impact of financial
concentration, allow small and medium-sized firms to survive. Now, it is thanks to and
through small and medium-sized companies that economic and social relations remain
19 reasonable and are prevented from becoming unbearable and inhuman (quoted in
Dussauze, 1938, p. 110).

21 In sum, France has long epitomized a notion of selection that fits the
“strategic selection” ideal-type presented above.

23

25

From Darwinian to Institutional Selection in the United States

27

29 On the other side of the Atlantic, in the dynamic New World of the 19th
century, things were different. There, the idea of free competition and
Darwinian selection were embraced and valued as powerful mechanisms of
31 change, social fluidity, and progress. The importation of economic *laissez
faire* to the United States came together with a fascination for evolutionary
33 theories, popularized by Herbert Spencer and Charles Darwin. Soon,
however, the American society had to deal with the potentially disruptive or
35 even destructive fallouts of Darwinian selection. The result, in time, was the
construction in the United States of a “workable” practice of competition
37 that amounted to what we have defined above as “institutional selection”
(Sklar, 1988). Darwinian selection was still structuring part of the discourse
39 and theory but in practice, Darwinian selection had been tamed and largely
displaced by institutional selection (Djelic, 1998).

1 *Darwinian Selection and its Unanticipated Consequences*

2 During the second half of the 19th century, Herbert Spencer promoted in
3 Europe and diffused in the United States the ideas of both perpetual
4 adaptation and survival of the fittest. Spencer defended a view where
5 ongoing differentiation and specialization of an entity coincides with the
6 development of the environment that surrounds it. Spencer's "theory of
7 inevitable progress" had quite a significant impact in the United States.
8 According to Spencer, progress was the necessary outcome of evolution as
9 long as the natural process of evolution was left full and free rein. Spencer
10 identified the struggle for survival as the main mechanism around which this
11 natural process articulated (Haines, 1988). And this struggle for survival
12 was often associated, combined, and conflated in his writings and those
13 of his followers with the classical economists' understanding of competition
14 (Hodgson, 1993; Durand, 2006). The outcome of this mechanism was that,
15 ultimately, the fittest were being selected while the maladaptive were
16 eliminated over time.

17 The Spencer-Darwinian arguments resonated with the conditions that
18 characterized the United States after the civil war. This was a time of
19 upheaval, turbulence, transformations, and unpredictable developments
20 where the old rules were inadequate and the new ones still to be invented
21 (Josephson, 1932; Kolko, 1963; Chernow, 1990). Spencer's ideas hence
22 became the intellectual foundation for a "social Darwinist" ideology that
23 seduced American "Robber Barons." The "Robber Barons" were that
24 generation of businessmen, who thrived initially on the chaotic conditions
25 associated with the American civil war and then established firmly their
26 power and legitimacy during the period of corporate reinvention of
27 American capitalism, at the end of the 19th century (Sklar, 1988; Roy,
28 1997; Djelic, 1998; Perrow, 2002). The evolutionary argument seemed to give
29 legitimacy to violent and rapacious behavior, as necessary stages leading
30 to progress through struggle. The elimination of the "weak" and the
31 institutionalization of a hierarchical and unequal division of labor were also
32 justified in this way.

33 Soon, however, the victims of Robber Barons' capitalism – smaller
34 business owners, farmers in particular, and civil society in general – became
35 increasingly vocal. Channelled through the Populist movement (Goodwyn,
36 1976), their discontent targeted rapacious and violent practices but also the
37 somewhat paradoxical consequences of "free competition" – the rapid
38 emergence and constitution of larger and larger aggregates of economic
39 power (see also Powell et al., this volume). Indeed, the "elimination of the
40 weak" meant that the strong became stronger. But the Robber Barons

1 themselves became dissatisfied in time with systematic chaos and struggle
for survival in a free-for-all context. The winners of today were likely to be
3 the losers of tomorrow – *strong in the morning, dead in the evening*. The
consequence was that they turned to cooperation and collusion in an
5 attempt to stabilize their environment. The 1870s and 1880s were therefore
characterized by a proliferation of loose networks and agreements in the
7 form of cartels, pools or trusts which peaked by 1890 (McCraw, 1984;
Chandler, 1990; Fligstein, 1990). On the whole, those cartels proved to be
9 relatively fragile constructions. They often failed and failure would generally
be followed by another wave of ruinous competition and a new attempt at
11 cartelization. By the late 1880s, this complex and somewhat paradoxical
situation had turned the issues of competition and cartelization into real
13 political and social debates in the United States.

15 *Regulating Competition: The Sherman Act and its Unintended Consequences*
The enactment of the Sherman Antitrust Act, in 1890, was a direct outcome
17 of this period of turmoil and a reaction to the significant concentration of
power of cartels and trusts. The initial intent of most congressmen, partly
19 under pressure from the strong movement stemming from civil society, had
been to prohibit all forms of interfirm collaboration so as to reestablish the
21 conditions for competition and Darwinian selection (Peritz, 1996). How-
ever, the 1890 final version of the Sherman Act regarded as unlawful those
23 “contracts or combinations *in restraint of trade or commerce*” (Section 1,
outlining what came to be known as “the commerce clause”). In a series of
25 cases, the Supreme Court applied the commerce clause when violations
occurred between states – concentration of power within a given state did
27 not fall under its ruling. Hence, as long as cartels, trusts, and other loose
interfirm networks had an impact on interstate commerce, they were
29 outlawed under the Sherman Act (amounting to 85% of 322 cases during
the 1890–1930 period). Somewhat unexpectedly, tight combinations and
31 mergers were able to escape regulation under the Sherman Act provided
they belonged to a given state. American states, starting with New Jersey in
33 1889, amended their corporate charter to allow unrestricted intercorporate
stock ownership. New Jersey had become the first state to allow a
35 corporation to be created for the sole purpose of owning stock in other
corporations; other states followed rapidly (Roy, 1997). The holding
37 company, as this device came to be known, became a powerful legal tool
through which industries could organize and check competition.

39 Between 1895 and 1904, 300 firms per year on average entered mergers
and incorporated into holding companies – frequently in New Jersey

1 (Parker-Gwin & Roy, 1996; Roy, 1997). Simultaneously, loose interfirm
2 networks were rapidly disappearing from the American industrial scene
3 (McCraw, 1984; Chandler, 1990). In an ironic twist of history, the fight
4 for competition in America had led in an indirect and partly unexpected
5 manner to the emergence of large, integrated firms. An institutional context
6 relatively unfavorable to cartelization turned out to be fertile ground for
7 oligopolies (Thorelli, 1954; Bittlingmayer, 1985; Fligstein, 1990; Dobbin,
8 1994; Djelic, 1998).

9 In the process, the concepts of competition and selection were reinvented.
10 Neoclassical competition and Darwinian selection remained dominant
11 ideological frames of mind in the United States, shaping discourse and
12 theory. On the ground, though, and in practice, the words “competition”
13 and “selection” came to refer to a very different reality. The “workable”
14 concept of competition that emerged in that country around the turn of the
15 20th century was shaped and defined in great part by the antitrust legislation
16 and its particular interpretation and implementation. Competition in the
17 United States became associated with oligopolistic markets and not with the
18 classical or neoclassical multi-actor markets. A small number of big players
19 became the rule in most industries. Each one of those players could be big
20 enough to realize economies of scale and scope – which, de facto, stemmed
21 at least in part from control over a big market share. The interactions,
22 however, among those big players or between them and more marginal
23 ones, were strictly and systematically monitored under the American
24 antitrust regime – with little if any room left for collusion or other forms
25 of “anticompetitive” or predatory practices. The nature of selection, as a
26 consequence, was affected: the Darwinian selection pattern was significantly
27 tamed in practice by institutional rules and logics.

29

Learning from the Cases and Their Comparison

31

32 From the French case, we learn that Darwinian selection historically had
33 proponents in France. It was debated and presented as an alternative to
34 a Colbertist conception of economic development. All in all, though,
35 Darwinian selection remained marginal in France and had little impact on
36 policy making. Economic affairs were deemed too important to be left to
37 market logics, i.e., to the control of uncoordinated individuals. Order and
38 coordination, direction and discipline came through powerful actors who
39 defined the criteria and processes of selection. Concretely, powerful actors
40 were a mix of guilds, cartels, and associations on the one hand, a central

1 polity on the other. From such a perspective, selection emerged as a strategic
2 process leading to exemplarity in the form of a “national project,” “national
3 champions,” or the defense of “national interests” – sometimes perverted
4 into the preservation of national elites (Hancké, 2001). The French case is
5 on the whole quite representative of the “strategic selection” pattern, while
6 not exclusively associated with it. Entrepreneurship, in this context, has
7 been at least in part of the political kind. The economic performance of
8 national champions tends to be, on average, moderate to high and the
9 variance of intra-industry firm performance is limited by the existence of
10 *ententes*, interlocks, and collusion. Over time, and with political reorienta-
11 tion, macroscale variability can be quite significant but this is generally
12 associated with microscale stability as the industrial and economic fabric of
13 the nation should be protected.

14 In the American case, Darwinian selection had a strong impact as an idea
15 from the 19th century on. Parts of the business community used the idea that
16 progress should naturally emerge from unfettered competition to legitimize
17 actions and decisions that could be harmful to others or to the community
18 (Perrow, 2002). In time, this led in fact to the creation of strong imbalances
19 of power on the market. And, by the late 1880s, federal authorities used the
20 idea that unfettered competition meant progress to justify state intervention
21 and regulation with a view to reestablishing and preserving the conditions for
22 free competition and Darwinian selection. Ironically, the interplay between
23 this latter project and the American institutional setting had rather
24 unintended consequences. It stimulated if not triggered the first large-scale
25 merger movement, leading in time to the reorganization of most American
26 industries as oligopolies (Sklar, 1988; Djelic, 1998). In the background, the
27 concept of Darwinian selection remained dominant in the normative
28 discourse – of economists, regulators, and legislators or even lay persons.
29 The reality, however, and the practice both with respect to economic action
30 and regulation were significantly decoupled from that discourse.

31 Oligopolistic markets do not create the conditions for free competition
32 and Darwinian selection. Rather, in oligopolistic markets, organizations
33 survive when they create dense ties with their institutional environments,
34 adapting to its demands and obtaining social and political endorsement.
35 Selection, there, is of the institutional kind. While technological and market
36 entrepreneurship was better suited to the first period, institutional selection
37 calls for a form of entrepreneurship that is more cultural and institutional.
38 Darwinian selection in the period before regulation was associated with low
39 on average and highly variable firm performance. Instability, partly as a
40 consequence, became unbearable and meant extremely high microscale and

1 macroscale variability. Once regulation and institutional selection set in,
2 firm performance stabilized at higher levels. Intra-industry microscale
3 variability remained significant but there was much greater stability at the
4 macroscale level.

7 **CONTRIBUTIONS AND IMPLICATIONS**

9 Drawing on the cases and on what we can learn from each of them as well as
10 from their comparison, we now turn to the three issues outlined in the
11 introduction – the lack of contextualization of selection, the expected
12 consequences of selection, and the level of analysis. We then discuss a number
13 of theoretical implications while pointing also to some consequences for
14 empirical research.

15 *Contributing to Three Issues*

17 First, putting forward the idea of variable selection patterns and embedded
18 rationalities allows us to better integrate the concept of selection into its
19 geographical and historical context. Rather than an immutable natural law,
20 selection appears to be a contextual and dynamic mechanism. Darwinian
21 selection is one pattern of selection, useful for theoretical reflection and
22 empirical simulation but we identify (at least) two other patterns of selection.
23 Different patterns of selection correspond to different embedded rationalities
24 that legitimize organizational demise and success. An embedded rationality
25 can become transparent and in a sense invisible to actors themselves. At the
26 same time, in a given context, actors will not necessarily all share the same
27 embedded rationality (Schneiberg, 2007; see the interesting works on
28 business groups and the different consequences for performance, e.g.,
29 Khanna & Yafeh, 2007).

31 Second, we propose that the two notions of “selection patterns” and
32 “embedded rationalities” pave the way for a genealogical perspective on
33 organizational selection and its consequences. The literature points to
34 seemingly contradictory and apparently incompatible consequences, where
35 selection could lead either to organizational isomorphism or to speciation and
36 variance. For instance, the expansion across the world of American-type
37 forms of corporate governance creates a powerful isomorphic pressure.
38 A closer look, though, shows that these models tend to be adopted and
39 translated in somewhat different ways in different countries (Djelic, 1998;
Kogut, Walker, & Anand, 2002; Fiss & Zajac, 2004; see also Seidl et al., this

1 volume). This can certainly be connected and in fact accounted for by the
existence and predominance in those different countries of various selection
3 patterns. Depending on which embedded rationality prevails in a particular
context (liberal-conservative, interventionist, or normative), organizational
5 variation and organizational selection will take different forms. Diffusion
of practices could be serendipitous, hierarchical, or status-laden. And as
7 we stated earlier, performance characteristics, entrepreneurship types,
and time efficacy could differ. A genealogical and contextual perspective
9 on selection should make it possible to account for such diversity of
consequences – not by adjusting a one-fits-all notion of selection but by
11 tracing the historical and social-cultural contingency of models of organiza-
tional survival and demise.

13 Third, this chapter makes a contribution to debates on levels of analysis.
Developing a multilevel perspective on selection requires going beyond
15 traditional conceptions of vertically nested levels (resources, firms, and
populations). To deploy such perspectives, we propose, there is a need to
17 integrate a focus on those actors that shape the embedding context in which
bundles of resources, firms and industries, or populations set themselves.
19 Legitimizing agencies, for example, professions or communities are likely to
impact upon the evolution of embedded rationalities and, hence, ultimately
21 also on organizational selection. Those kinds of actors are clear mechanisms
for bridging the various levels across which selection plays out. Legitimizing
23 agencies – like accreditation agencies or standardization bodies for
instance – imprint markers and signals unto organizations and impact, as
25 a consequence, selection processes and outcomes (Casile & Davis-Blake,
2002; Durand & McGuire, 2005). Professions as trans-organizational groups
27 (increasingly transnational) define logics and representations that contribute
to define selection criteria. Very often, professions become involved and
29 inscribed within broader normative and regulatory settings (Lounsbury,
2002; Djelic & Sahlin-Andersson, 2006). Finally, communities bring together
31 under various umbrellas individuals, groups, and organizations that share
common cognitive and normative values and/or common projects (Jones,
33 1995; Djelic & Quack, 2010). Communities can lead to or generate social
movements; they might also imply identity clashes, a redefinition of the social
35 compact, and induce behavioral but also cognitive and even ethical changes
(Durand, Rao, & Monin, 2007; Guthrie & Durand, 2008; Mirowski &
37 Plehwe, 2009; Djelic & Quack, 2010). Overall, legitimating agencies,
professions, or communities deserve our attention because they play an
39 increasing part in framing the rationalities that apply in a given context.
These transversal and bridging mechanisms complement a more classical

1 approach to nested levels of selection and allow for a better understanding of
2 the selection process and its impact on organizational performance.

3

5

Theoretical Implications

7 The genealogical and contextual perspective on selection that we propose
8 here questions at least three theories familiar to strategy scholars: the
9 resource-based view, population ecology, and institutional theory. We can
10 neither review in depth each theory and its different variants nor study all
11 implications. We limit ourselves to stressing critical implications in each case.

13 *Resource-Based View: Selection and the Situatedness of Resources*

14 An important assumption of the Resource-Based-View (RBV) is that strategic
15 resources, through their intrinsic properties, turn into a comparative
16 advantage for the organization that owns those resources. Rarity, inimit-
17 ability, and non-transferability are examples of resource properties. Rents
18 (abnormal profits) accrue to companies possessing resources endowed with
19 these properties. Two questions handicap today the RBV and our genea-
20 logical approach to selection could help. Debates are ongoing to determine
21 whether competitive advantage is logically and ontologically distinct and
22 distinguishable from resources, spreading a suspicion of tautology damage-
23 able to RBV (Powell, 2001; Durand, 2002; Durand & Vaara, 2009; Seidl et al.,
24 this volume). Next, by concentrating its efforts on an intra-organizational
25 level of analysis, RBV could well downplay the role of structures on strategic
26 advantage and performance.

27 First, our approach makes it possible to disconnect in part the value of
28 resources from their inherent properties and characteristics. In RBV-like
29 competition, what is important is not so much resources as their properties
30 (Durand & Vaara, 2009). We contend that the assumption relating resource
31 ownership causally to superior performance is flawed. For instance, GE has
32 mastery in financing complex multibillion projects and P&G possesses
33 marketing maestria. Another firm with similar resources may not yield
34 abnormal returns because selection patterns may not retain the properties
35 that make these resources and capabilities distinctive. Second, the value of
36 these properties is not evenly distributed across the world. Political, cultural,
37 sociological determinants encode and constrain the experience of competi-
38 tion in different markets (see Suddaby et al., this volume). To understand
39 why immense resources (GE's capital resources and P&G's marketing
40 knowledge) fail in given contexts (for instance, the failure of GE's

1 acquisition of Honeywell in Europe in 2001), one must realize that distinct
2 embedded rationalities buttress different selection patterns – hence we
3 suggest a situatedness approach to resources. From this perspective, two
4 research paths look promising for RBV. First, RBV scholars should think
5 about the operationalization of resource *properties* (rareness, transferability,
6 imitability, and so forth) in connection with selection patterns. Second, we
7 need more studies testing how a firm that controls specific resources can
8 resist selection pressures in different environments with distinct types of
9 selection patterns (e.g., across national boundaries).

11 *Population Ecology in International Contexts*

12 Our approach also has implications for research within the population
13 ecology tradition. A strong question around population ecology bears on the
14 use of demographic trends as proxies for competition and legitimacy (Zucker,
15 1989; Isaac & Griffin, 1989; Baum & Powell, 1995). By contextualizing the
16 selection patterns that prevail in a region or another, population ecologists
17 could better describe selection pressures and the influence of legitimacy and
18 competition and refine the explanation they provide of firm survival. This is
19 applicable at the state level in the United States (Schneiberg, 2007) but may
20 be even more relevant for international studies. Indeed, in other geographic
21 regions, like Europe, the Middle-East, or Asia, the assumption of a common
22 selection pattern allowing observers to assume time and space commensur-
23 ability does not hold long (Dobbin, 1994; Baum & Powell, 1995). For
24 instance, few studies compare populations internationally and how the
25 development of a population in one country affects legitimacy and
26 competition as well as founding and disbanding rates in other countries.

29 *Institutional Theory and Hybridized Legitimacies*

31 Finally, institutional theory may find interest in the genealogical approach to
32 selection presented here. For a long time, institutionalists have uncovered the
33 mechanisms that contribute to organizational isomorphism (DiMaggio &
34 Powell, 1983). More recently, the question of institutional change has
35 become predominant and institutional theory has dealt with this in part
36 through the concept of “institutional entrepreneurship” (Hardy & Maguire,
37 2008; Greenwood, Oliver, Suddaby, & Sahlin-Andersson, 2008). Our concept
38 of selection patterns could help refine the notion of institutional entrepre-
39 neurship. In fact, our approach suggests that the type of entrepreneurship
most likely to apply is closely connected to selection patterns and embedded

1 rationalities. Entrepreneurship may have to be more market and technology-
3 political under a strategic selection pattern and more institutional or cultural
5 only in those environments that are characterized by an institutional
selection pattern.

Our perspective on selection also points to a promising avenue for
7 theoretical exploration in institutional research. An important frontier today
9 for institutional theory is to approach the situations of encounter and
interface between different institutional logics. This preoccupation runs
11 parallel to our questions here on what happens at the points of interface
between different selection patterns and different embedded rationalities.
13 We need to provide theoretical accounts of those situations of dissonant
encounters. Some prior works have begun exploring these themes (Ingram &
15 Simons, 2000; Marquis & Lounsbury, 2007). Will one selection pattern
prevail over the other – and in this case which one and through which
17 process? Will there be transformation and hybridization of selection patterns
through the process of encounter? Those are all questions triggered by the
19 perspective we adopt in this essay. We suggest that they are also highly
relevant paths to explore today for institutional theory.

21

Implications for Empirical Research

23

While dominant theorizing on selection bids for universality, bringing in the
25 two notions of “selection pattern” and “embedded rationality” makes
selection a more contingent object to study. From the study presented here,
27 we draw a first implication for empirical research. If we want to understand
the process of organizational selection, we need to explore the environment
29 in which organizations devise strategies and make decisions. Our notion of
environment encompasses ideological and institutional contexts, cultural
31 backgrounds and structural legacies all leading to variations in the meaning
of apparently “universal” or well-shared notions, like money, wealth, or
33 performance. As Zelizer (1989) uncovered the concealed and plural
meanings of money, a generic term so common in economic and sociological
35 studies, we strove to uncover the often-ignored assumptions contained in a
term common to evolutionary studies: selection. Therefore, when conceiving
37 of organizational evolution, we should qualify the embedded rationality
(liberal-conservative, interventionist, or normative) that each group of
39 agents extols (firms, other collective actors, and institutions). Controlling for
period and region in models is not enough to really account for the shifting

1 nature of the notion of selection or for the uneven influence of actors in their
2 field. A control for the type of embedded rationality championed by
3 particular actors should probably be introduced in our models. This
4 operationalization requires thorough analysis of texts produced by these
5 agents, oral, written, graphical, etc. that express their views in terms of what
6 is legitimate to live and what is acceptable to trim.

7 Another line of empirical research concerns the explanation of significant
8 changes in organizational forms or legal structures (such as the development
9 of holding companies, the legal inscription of limited liability, the diffusion of
10 vertical integration or process outsourcing, the multiplication of independent
11 regulatory agencies, a spreading wave of nationalization or on the contrary
12 privatization, and so forth), the creation or disappearance of professions
13 (e.g., key account managers, strategic planners, knowledge managers, investor
14 relations, or risk management officers). These major changes often reveal
15 debates, contestation, and conflicts between different embedded rationalities.
16 The creation or suppression of institutions may also follow the swing from
17 a dominant embedded rationality to another. Rao et al. (2003) show how
18 (1) the degree of theorization of new logics, (2) the emergence of new
19 professional associations, and (3) the modification of social and professional
20 identification processes are variables that impacted the embedded rationality
21 of chefs and customers, and gave preeminence to *Nouvelle cuisine* over Old
22 cuisine among French culinary elite. They used variables such as the number
23 of published articles in favor of *Nouvelle cuisine* as well as the number and
24 affiliation of chefs participating in the new professional associations as
25 proxies for theorizing embedded rationality and the power of activism.

26 Finally, much work remains to be done to explain the conditions in
27 which a shift takes place from one selection pattern to another. Our U.S. case
28 study provided us with an occasion to comment on the shift away from
29 the Darwinian selection pattern, but we need to understand the reverse
30 movement – going from strategic or institutional selection patterns to a
31 Darwinian pattern as it happens in situations of deregulation, privatization,
32 or reinvention of an organizational field. An interesting case to look at,
33 among many others, would be the shift toward a Darwinian selection pattern
34 in the telecommunication industry after the Telecommunication Act (1995).

35

37 CONCLUSION AND A FEW POINTS OF CAUTION

39 In sum, this chapter has offered a genealogical and contextual perspective
40 on organizational selection patterns and their variation. Selection should

1 not remain a black box. Even if “selection is eternal,” the ways in which it
operates vary through time and space (Weber, 1978, p. 38). Hence,
3 organizational selection needs to be problematized and contextualized. We
argue that it is possible to account for the construction of distinct embedded
5 rationalities that lead to different notions of organizational selection.
As much as scholars must avoid the seductive assumption of selection
7 uniformity and universality, practitioners should be aware of the embedded
rationalities in which they operate, especially when going international.
9 Through a genealogical approach of embedded rationalities and selection
patterns, as well as the proposition of a multilevel perspective bridging and
11 going beyond traditional levels of analysis, this chapter has suggested new
directions for future research on the dynamics of organizational action at
13 the resource, ecological, and institutional levels.

Still, this genealogical approach to organizational selection is not exempt of
15 limitations. We mention here only the three most important ones. First, we
presented ideal-types of selection patterns described along five dimensions.
17 Ideal-types are nice tools to reflect and theorize on reality but suffer from
definition rigidity. We ask readers to accept the benefits of using ideal-types as
19 we accept their inherent limitations. As Max Weber already showed when
exploring authority principles and economic forms of organizations, reality is
21 often more complex and hybrid (Weber, 1978, pp. 10–20). Ideal-types are
conceptual shortcuts to reality; they are not always descriptive of that reality.

23 Second, we have not looked into the articulation of the different dimensions
defining selection patterns. Does one dimension prevail over others? Neither
25 have we explored why and how one selection pattern fades and another
becomes dominant. Is there, historically, a logical path and a natural
27 “evolution of selection” – away from a pattern and toward another? We are
aware of the need for a lot more work in those two directions. Still, we venture
29 a perspective on these important questions. We propose that all dimensions
are important in structuring and defining the selection pattern (rather than one
31 dimension superseding all others). We also suggest that all path combinations
are possible across the three selection patterns – there is no necessary or easy
33 linear path or progression. We can probably identify situations that exhibit a
move from Darwinian to strategic or institutional selection or in reverse from
35 institutional to strategic or to a more Darwinian pattern.

Third, methodologically speaking, genealogical approaches are probably
37 not as deductive as organization or strategy scholars would expect.
Genealogical studies strive to uncover the origins of some constitutive
39 properties of our societies. Purity, holiness, madness, discipline, sexuality,
money, the body, childhood, and other debated notions in contemporary

1 societies have benefited from in-depth genealogical research. In our disciplines
 2 however, few studies have attempted to explore and question taken-for-
 3 granted notions and mechanisms such as selection – but also competition,
 4 profit, value, authority (see Powell et al., in this volume on “competitive
 5 advantage”). Hence, one should not take our case analyses for what they are
 6 not. They are not direct evidence for our theoretical propositions but
 7 meaningful archival “remains” that help us reflect on the conditions of
 8 organizational selection.

9

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13 Djelic & Quack (2003); Durand (2001); Klepper & Simmons (2000);
 14 Nelson (1995).

15

17 **NOTES**

19 1. Kogut et al. (2002) propose an interesting illustration. They look at one single
 20 strategy (inter-industry diversification) in five different national contexts. They find
 21 that patterns of diversification diverge considerably across countries despite strong
 22 arguments (theoretically and empirically based on American studies and data)
 23 claiming the superiority of one type of diversification over others. The explanation is
 24 that national economic structures provide a context that conditions the emergence of
 25 structural opportunities, the coupling of agents with resources, and the orientation of
 26 acquirers’ behavior. Technological characteristics matter but do not determine
 27 diversification patterns as observed in various contexts. Interactions between industrial
 28 and institutional but also cognitive structures explain more of the observable strategic
 29 reorientation.

30 2. Even contemporary developments in French economic life are clear signs of
 31 this political-economic interplay – see the manner in which in 2002 the CEOs of
 32 Vivendi Universal and France Telecom were sacked and replaced and how
 33 an “economic patriotism” terminology has marked Jacques Chirac’s second
 34 presidential term (2002–2007). An even more recent example is the involvement of
 35 the French government, in 2009 and 2010, in redesigning French energy champions
 36 (Gaz de France and Suez, EDF, or Areva).

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