Chapter 1
On the Spatiality of Institutions and Knowledge

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The relationship between geography and the creation, use, and reproduction of knowledge has been at the core of this book series. The previous twelve volumes have focused, among other topics, on the role that creativity (Meusburger, Funke, & Wunder, 2009), science and universities (Meusburger, Livingston, & Jöns, 2010), power (Meusburger, Gregory, & Suarsana, 2015), culture and action (Meusburger, Werlen, & Suarsana, 2017), and networks (Glückler, Lazega, & Hammer, 2017) have in cultivating an understanding of how the social process of knowing unfolds in space. They all draw attention to ways in which this process is situated in places and how learning connects people across places. Centering on institutions, volume 13 presents yet another perspective on the spatiality of human knowledge. Across the social sciences scholars have been attributing to institutions a major part in social, political, cultural, and economic development. Although there is agreement on the importance of institutions, there are several understandings of what institutions are and how they influence social life. The purpose of this volume is to examine a rather neglected and only recently acknowledged dimension in institutional theory: the spatiality of institutions, the spatiotemporal dynamics of institutional change, and the role of institutions in the creation and reproduction of knowledge and related social outcomes in bounded territories.

In this introduction we wish to stimulate a dialogue on the spatiality and dynamics of institutions across the boundaries of individual disciplines in the social sciences. We open the floor to such dialogue by briefly highlighting achievements of
and challenges to both the “institutional turn” in geography and what may be an incipient “spatial turn” in institutional theory. Whereas geographical studies have offered a detailed insight into spatial differences and regional path dependencies stemming from institutional variation, they have lagged somewhat in exploring the processes of institutional dynamics, especially those of informal institutions. Institutional theory as applied in organizational institutionalism or political sciences has made important advances in this respect but has only recently entailed discussion of the spatial dimension of institutional life. With this volume we aim to bring the two strands of research together to facilitate a mutually beneficial dialogue and improve comprehension of the role that institutions play in the relationship between knowledge and space.

The Institutional Turn in Geography

A major interest in geography lies in the dynamics of economic development, and, over the years, it has led to different growth models of how to reduce the unevenness of development across regions. Regional disparities, however, have remained a fact and continue to challenge geographers, economists, and political scientists alike. Yet the approach to these issues has changed since the 1990s, when geographers began to recognize an institutional turn by attributing increased significance for economic development to institutions (Amin, 1999; Jessop, 2001; Martin, 2000). Having often concentrated on economic action apart from its sociocultural context, economic geographers then acknowledged that economic action itself is one form of social action that must be understood in its context and within a wider system of social, economic, and political rules of both formal and informal nature (Bathelt & Glückler, 2003; Gertler, 2010; Martin, 2000). This emerging institutional perspective was accompanied and facilitated by a cultural turn (Barnes, 2001) that also accentuated actors and their relations with others at the microlevel.

This change in perspective is mirrored in policy recommendations ranging from incentive-based, top-down investments in physical capital since the 1960s to endogenous growth theories for unlocking the wealth of regions through investment in education and training to mobilize their existing potential (Amin, 1999; Martin, 2000; Rodríguez-Pose, 2013). This shift thereby stressed the importance of regional specificities, path dependencies, and the social foundations of interdependent economic behaviors (Amin, 1999). Yet although statistics showed correlations between growth and particular policies, effective policies in one context could not be easily transferred to others. It remains an open question, then, how positive developmental paths can be purposively directed (Martin & Sunley, 2006). This question has led geographers to ask themselves what it is that makes it easier to unlock the potential of one region than that of another. Here is where institutions come in. They seem to be crucial in regional trajectories of social and economic development, and it has proven nearly impossible to reproduce institutions identically in other places, regions, and countries to render the same effects on social and economic outcomes (Rodríguez-Pose, 2013).
Institutions have some peculiar characteristics: As with Storper’s (1997) untraded interdependencies, institutions are not tradable. Unlike real capital (e.g., assets, infrastructure), financial capital (e.g., venture capital, credits), and codified knowledge (e.g., technologies, patents, designs), institutions can be neither bought nor licensed, and they are nearly impossible to imitate (Maskell & Malmberg, 1999; Wernerfelt, 1984). This contextual and often geographical idiosyncrasy can either hamper or facilitate certain innovation and development paths, and poses epistemological challenges to universal growth models because of stubborn, unexplained residuals (Rodríguez-Pose & Storper, 2006). It is not that previous findings of positive influences on development and growth have become obsolete (e.g., investments in infrastructure, technology, or human capital). Rather, the critical aspect is the way in which these factors are combined. It is not enough, for example, just to have business associations promoting entrepreneurship within a region. The work of these organizations is shaped at least partly by expectations that are informed by past experiences, knowledge frames, policies, and established business relations and routines. These contextual settings influence socioeconomic action and economic success or failure (Amin, 2001). Even though institutions might not be the only cause of development, they enable or constrain the use of regional assets (Martin, 2000). Because it is difficult to grasp these underlying “deep determinants” (Bosker & Garretsen, 2009, p. 295) and to model them statistically (Tomaney, 2014), institutions are still hard to integrate into regional policies (Rodríguez-Pose, 2013). We identify two current challenges for institutional research in geography.

First, there is no clear definition of what an institution is. The understanding of institutions is often vague and inconsistent and can range from regulation (Rodríguez-Pose & Di Cataldo, 2015) and organizations (Amin & Thrift, 1995) to beliefs and stable patterns of practices (Bathelt & Glückler, 2014). It can even include all these phenomena. Research interest in how local characteristics determine competitiveness, knowledge creation, and growth has led to many economy-wide quantitative studies in geography, usually operationalizing institutions as formal rules and regulations (Farole, Rodríguez-Pose, & Storper, 2011; Rodríguez-Pose, 2013). Since the 2000s, studies have been characterized by opposing views and findings with regard to the primacy of institutions over geography (Rodrik, Subramanian, & Trebbi, 2004) or vice versa (Carstensen & Gundlach, 2006; Sachs, 2003). On the one hand, researchers have found, for example, that a region’s quality of government matters for innovation (Rodríguez-Pose & Di Cataldo, 2015), as do the region’s linkages to other countries and their institutional qualities (Bosker & Garretsen, 2009). Glaeser, La Porta, López-de-Silanes, and Shleifer (2004), on the other hand, argue that institutions can often only be poorly operationalized and that standard indicators such as human capital continue to be more important—also for developing beneficial political institutions in the first place. So far, there has been no solution to this debate, but there is certainty that more research is needed on various scales and with greater methodological variety, including microscale qualitative case studies emphasizing informal institutions that are not easily quantifiable (Bathelt & Glückler, 2014; Gertler, 2010; Pike, Marlow, McCarthy, O’Brian, & Tomaney, 2015).
Second, once “good” institutions are identified, it remains an open question how to achieve them. How do institutions manifest themselves differently in different regions, and what are the possible mechanisms of institutional change (Bathelt & Glückler, 2014; Farole et al., 2011; Tomaney, 2014)? Recent studies criticize that although institutions are seen as the causes of regional inequality, their mode of operation has not been adequately analyzed (Dellepiane-Avellaned, 2010; Rafiqui, 2009; Tomaney, 2014). As long as the expression “institutions matter” is not verified by explanations, institutions will remain some kind of “magic dust” (Tomaney, 2014, p. 133), and the concept will become a truism by which regional disparities are explained simply by the existence of institutions (Jessop, 2001; MacLeod, 2001; Martin, 2000; Rafiqui, 2009). Only by making the processes of institutional effects and of institutional changes apparent can the problems of endogeneity between institutions and growth be addressed, as well as the possibility of the political malleability of institutions (Farole et al., 2011; Tomaney, 2014).

Drawing on Jessop’s (2001) typology, we find several stages of an institutional turn that indicate to what extent a line of research becomes truly institutional. In the case of a thematic institutional turn (p. 1215), researchers analyze noninstitutional factors and only seek additional explanatory power in the institutional dimension of the space economy without going into further detail. In a methodological institutional turn (p. 1216), researchers recognize institutional aspects as a key starting point for analyzing social life even if other factors later become the main analytical interest. An example is the fact that other major streams of research within economic geography explicitly cross-reference institutions. In such cases institutions are seen as necessary underlying conditions for, say, creating capabilities in the relatedness approach (Boschma, 2017), building global production networks (Coe & Hess, 2013), and establishing national and regional innovation systems (Asheim, Lawton Smith, & Oughton, 2011). Lastly, in what Jessop (2001) calls an ontological institutional turn (p. 1217), geographers have spotlighted institutions as the essential foundation of social existence. These researchers inquire into aspects that cannot be covered by quantitative macroanalyses, such as the change processes of informal institutions at the microlevel. That kind of work is oriented to other disciplines and their approaches to analyzing the dynamics of institutions. Geographers can contribute their strong sense of geographical context and awareness of the role that place and space have in the formation and effect of bounded institutions. With their insight into the embeddedness of agents in regional or national territories, geography can help understand the ways in which local institutions matter (Bathelt & Glückler, 2014; Pike et al., 2015; Rodríguez-Pose & Storper, 2006; Tomaney, 2014). In sum, research in geography has been enriched by the integration of institutional theory in its various manifestations. Conversely, and basically without exchange between the two fields, institutional theorists are beginning to discuss the relevance of spatial aspects.
A Spatial Turn in Institutional Theory?

The spatial turn in organizational institutionalism is latent rather than manifest. There is neither a defined category of geographic institutionalism nor much explicit theorization of space in institutional theory. However, considerable recent work—the research now identified as neoinstitutional theory—contains an obvious subtext that is premised on axial divisions of space and the implications that such divisions hold for related divisions of meaning and time.

The construct of the organizational field may offer the most obvious illustration of how neoinstitutional concepts are built on implicit assumptions of space. The original definition of an organizational field is, “those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products” (DiMaggio & Powell, 1983, p. 148). This definition’s reliance on structural relationships and boundaries provides an obvious metaphorical resemblance to comparable understandings of regional clusters in economic geography.

The concept of an organizational field was developed to avoid the somewhat artificial clustering of organizations into groups based on single attributes of comparability—such as industry, which is commonly used in economics to identify organizations that produce similar products. The intent behind the concept of an organizational field is to identify “a community of organizations that partakes of a common meaning system and whose participants interact more frequently and faithfully with one another than with actors outside of the field” (Scott, 1994, pp. 207–208). Not only does this definition underline the powerful spatial elements of the construct, it also encourages institutional researchers to adopt the network as the logical method of analyzing organizational fields and introduces a host of related constructs that further reinforces the spatial elements of fields: centralization, density, and boundary (Kenis & Knoke, 2002).

In fact, these spatial subcomponents of fields have come to define much of the empirical elaboration of organizational fields in institutional research that has used the structural components of fields to explain organizational change. Because institutions are seen as cognitively totalizing social structures, neoinstitutional theory has struggled to explain how organizations innovate and fields change (Suddaby, 2010). Some studies suggest that new ideas emerge only from organizations that exist on the periphery or margins of fields (Leblebici, Salancik, Copay, & King, 1991). Other research suggests that new ideas emerge from institutional entrepreneurs or organizations because their structural position allows them to span two or more fields and move ideas from one to another (Greenwood & Suddaby, 2006). Both views partition organizations into categories of “incumbents” or “challengers” based on their spatial position—either geographically or hierarchically—within the boundaries of the field (Fligstein & McAdam, 2012).
An alternative notion that also adopts an implicit spatial perspective is “world society,” which researchers use to analyze the movement of worldwide models of practice that are “propagated through global cultural and associational processes” (Meyer, Boli, Thomas, & Ramirez, 1997, p. 144). Early research in neoinstitutional theory was devoted to examining the global diffusion of management practices and ideas such as total quality management, business-process reengineering and new public management. Although the spatial boundaries of the organizational field, in this view, were expanded to the global level, this stream of neoinstitutional theory bears a strong similarity to a body of literature in economic geography that focuses on global value chains. More specifically, both the world-society concept and economic geography call attention to the observed tension between localism and globalism in the consumption of products, services, and, above all, the diffusion of ideas (Sahlin & Wedlin, 2008). Institutional accounts are thus increasingly used to analyze and understand the effects of globalization (Djelic & Sahlin-Andersson, 2006; Drori, Meyer, & Hwang, 2006; Guillén, 2001). Perhaps unsurprisingly, this literature’s analytical references to the “routes” along which institutionalized ideas “travel” (Czarniawski-Jorges & Sevon, 1996) incorporates the metaphorical language of geography.

Organizational institutional theory has an aspect in common with economic geography: the understanding that the axial division of physical space is intimately associated with a corresponding division of ideational space. This correspondence is made clearest in Scott’s definition of organizational fields as organizations that not only interact “frequently and fatefully” (Scott, 1994, pp. 207–208) in the same physical or communicative space but also thereby “partake of a common meaning system” (Scott, 1994, p. 207). This extension of the notion of organizational fields to ideational fields seems like a rather close approximation of Bourdieu’s (1993) original notion of social fields as champs, or spaces, of semantic contestation. Institutional researchers have made some progress in developing the relationship between meaning and space, particularly in studies on understanding how the ability of an entity to fit into a semantic category can improve that entity’s perceived legitimacy (Hsu, Hannan, & Koçak, 2009; Zuckerman, 1999). Considerably more progress on this work, however, has come from methodological insights into topic-modeling in which network-related statistical techniques, commonly used to measure interaction in space, are applied to interaction in meaning systems (DiMaggio, Nag, & Blei, 2013; Mohr & Bogdanov, 2013). Mohr and Guerra-Pearson’s (2010) analysis of how organizational forms come to be differentially distributed across institutionalized spaces of meaning exemplifies this type of research.

There is a nascent line of research in neoinstitutional theory, which extends this line of reasoning to suggest that the axial division of institutional space not only impacts meaning but also alters the understanding of time and history (Suddaby, Foster, & Mills, 2013). There are two components to this emerging strand of neoinstitutionalism. First, there is the observation that institutions that emerge across different spatial contexts differ because they reflect distinct historical and cultural influences. At least one source of this insight was Westney (1987), who described how key western institutions—the police, the post office, and newspapers—were
transformed after their adoption by the Japanese during the Meiji period. Dobbin (1994) then demonstrated how the emergence of government policies regulating railroads in the United States, France, and Britain varies as a result of distinctly different historically embedded assumptions of how economic activity should be organized.

Several studies have expanded on Dobbin’s (1994) seminal insight that institutions vary in their expression over different geographic contexts. Meyer and Höllerer (2010), for example, investigate how the concept of shareholder value shifted as it moved from the United States and the United Kingdom to Austria. They observed that organizational practices and concepts change when they pass through culturally determined filters that are the product of a local history. The central concept that institutional pressures vary across different spatial contexts is perhaps best captured by the construct of “institutional distance” first articulated by Kostova (1999) and Kostova and Zaheer (1999). The term refers to the degree of similarity or difference between the regulatory, cognitive, and normative institutions of different geographic contexts, such as nation-states or the different units of a multinational corporation (Kostova, Roth, & Dacin, 2008).

Second, there is a growing awareness that perceptions of the possibility of change are determined by institutionalized assumptions about the objectivity or rigidity of time and associated assumptions about human agency, or the capacity to bring about change (Suddaby & Foster, 2017). Typically, such institutionalized assumptions about time are localized. Gouldner’s (1954) now classic study of labor unrest in a gypsum plant, for example, observed that the strike he researched originated in bureaucratized ideas about time and efficiency that northern industrialized owners had introduced into a southern rural factory. The northern industrialists did not share the workers’ assumptions of shutdowns to accommodate the hunting and planting seasons. Orlikowski and Yates (2002) summarized this thread of research with the observation that temporal structuring or assumptions about the relative objectivity or subjectivity of time and its role in standardizing organizational practices are shaped by ongoing actions of members of a spatially localized community. In combination, these assumptions reinforce economic geography’s insight that institutionalized assumptions of space are invariably associated with reciprocal assumptions of time and history.

In sum, we see the threads of an emerging spatial turn in organizational institutionalism. Unfortunately, at this stage, the turn is still largely latent and is reflected mostly in implicit assumptions that belie a distinct understanding of institutions as instruments of creating, maintaining, and changing spatial boundaries (Lamont & Molnár, 2002). Indeed, the core metaphor of institutions as an “iron cage” (DiMaggio & Powell, 1983) perhaps best summarizes the implicit spatial foundations of institutions. For the spatial turn to become formalized and explicit in organizational theory, intellectual engagement with colleagues in other disciplines, particularly geography, will clearly have to intensify. This exchange will deepen the understanding of space and boundaries less as statements of physical property—as oppressive things—and more as processes or opportunities to understand the creative interaction of space, time, and meaning.
Institutions, Change, and Social Outcomes: Key Challenges

The institutional turn in geography and the incipient spatial turn in institutional theory have made the limits of disciplinary blinders visible and have helped identify a series of conceptual and methodological challenges in institutional research. These boundaries need to be overcome to improve the understanding of both the nature and processes of institutional change and the association between institutions and the creation, reproduction, and use of knowledge. Taking an explicit view from the angle of the geography of knowledge, we identify four key questions in current institutional thinking across the disciplines in social science.

First, what exactly are institutions? When Martin (2000) proclaimed the institutional turn in geography, he found no commonly accepted definition of institutions. A consensual definition is still missing today. In fact, the more institutions are claimed to be key drivers of social, organizational, and economic development, the more varied the meanings of the concept of institution have become. They range from formal rules and regulations (e.g., constitutions, laws, and directives) to different types of organizations (e.g., courts, parliaments, public authorities, and business associations) and stable patterns of interactions in recurring situations. What is critical about gathering such a variety of social phenomena under one conceptual umbrella is that each of these phenomena is affected by the others in quite complex ways (Glückler & Lenz, 2016; Helmke & Levitsky, 2004). Some studies empirically accentuate one of these concepts, others portray institutions as a complex system of rules that noncanonically encompasses all the above (Ahmadjian & Robinson, 2001; Hodgson, 2006; Rodríguez-Pose, 2013). This book presents a variety of understandings of institutions, but in every chapter the authors explicitly define theirs and thus enable the reader to learn from and compare the perspectives.

Second, what is the relation between space and institutions? This question lies at the heart of the institutional turn in geography. In order to address the overarching question of beneficial economic development, geographers have acknowledged that the “mechanisms of economic development operate unevenly across space and that those mechanisms are themselves spatially differentiated and in part geographically constituted; that is, determined by locally varying, scale-dependent social, cultural and institutional conditions” (Martin, 1999, p. 83). We contend that institutions are constituted and reproduced through repeated and ongoing social interactions and are thus confined to social context. Moreover, we argue that social context is often territorially bounded, but not necessarily so. Laws and regulations are imposed on geographical jurisdictions. Conventions and routines are created, understood, and shared in often much smaller contexts, embedded within places, neighborhoods, cities, and regions. State policies, legal regulations, and even technological standards have a certain territorial scope, as do informal habits that can be enacted only by people who know about them. Physical proximity often is a strong enabler for
people to develop and sustain these practices and to sanction each other for noncompliance. Even organizations have their own rules and habits that are bound to one or more particular entities. In an effort to lessen the gap between the two fields, each of the following chapters directs particular attention to the context-specificity of institutions.

Third, how do institutions change? Theories of institutions focus on the conditions for and processes of the emergence, reproduction, and change of institutions. Unlike earlier research on reproduction and diffusion (Meyer & Rowan, 1977; Tolbert & Zucker, 1983), recent work highlights the dynamic aspects of institutions and the endogenous quality of change by focusing on the role of actors as agents of institutional change. Institutions, on the other hand, structure the expectations and actions of the actors but are themselves influenced by the actions of these agents (Greenwood & Suddaby, 2006; Heaphy, 2013; Lounsbury & Crumley, 2007). The solution to this paradox of embedded agency lies in the duality of social action (Giddens, 1984), meaning that institutions structure the expectations and actions of people and that agency simultaneously either reproduces or transforms these underlying structures of meaning. In this respect the relatively recent approaches of institutional entrepreneurship (Maguire, Hardy, & Lawrence, 2004; Munir & Phillips, 2005) and of institutional work (Empson, Cleaver, & Allen, 2013; Lawrence, Leca, & Zilber, 2013; Smets, Morris, & Greenwood, 2012) call for a comprehensive consideration of the conscious and unconscious practices of individual and collective actors in the transformation of institutions. One important step forward in this endeavor comes from a neostructural approach to institutionalization that emphasizes the impact that relational infrastructure in social networks, such as social status and niche, have on norm alignment and institutional transformation (Lazega, 2001; Lazega, Quintane, & Casenaz, 2017). Despite great advances in the general development of institutional theory, such as the exploration of institution-reproducing mechanisms (Powell & DiMaggio, 1991), institutional hysteresis (Hargadon & Douglas, 2001), and relational turnover in social networks (Lazega, 2017), mechanisms and processes of institutional change are still little understood and call for a more process-oriented empirical approach. Several chapters of this book therefore address the mechanisms of institutional emergence, change, and persistence in relation to regulation and policies designed to influence the dynamics and effects of institutions.

Fourth, what effects do institutions have on the creation of knowledge and related social outcomes? Much institutional research is dedicated to analyzing institutional effects on innovation and, more generally, on socioeconomic development in order to generalize them into action models. Empirically, most of these studies usually rest on quantitative macroanalyses (Farole et al., 2011), whose scope is often confined to the effects of formal rules, such as property rights (Acemoglu, Johnson, & Robinson, 2005; Galiani & Schargrodsky, 2010), the rule of law (Duquet, Pauwelyn, Wessel, & Wouters, 2014), specific mechanisms of allocation and distribution (Di Tella, Galiani, & Schargrodsky, 2007), or labor market conditions (Glaeser et al., 2004). Additionally, the research on varieties of capitalism (Hall & Soskice, 2001; Streeck & Thelen, 2005), on national and regional innovation systems (Asheim &
Gertler, 2005; Cooke, Uranga, & Extebarria, 1997; Morgan, 2004), and on production systems (Hollingsworth & Boyer, 1997) is concerned with the effects of institutional conditions on economic results. Whereas this kind of research is often about formal, codifiable rules, researchers using microsocial approaches have tended to investigate the institutions of daily practices, such as trust, reputation, conventions, and social capital (Farrell & Knight, 2003; Glückler, 2005; Portes, 1998; Storper, 1997), and their effects on innovation (Glückler & Bathelt, 2017) as well as on economic and organizational outcomes. Institutions frame the conditions of social actions, thereby potentially contributing to regional path dependencies (Martin & Sunley, 2006; Schamp, 2010). One part of this book is devoted to the study of both the detrimental and beneficial effects on societal outcomes, such as entrepreneurship, economic development, and competitiveness.

Structure of the Book

The following twelve chapters are divided into three parts. Part I highlights some of the key challenges already mentioned in this introduction and has a rather conceptual orientation to institutions. All chapters have an explicitly spatial perspective when focusing on institutional dynamics (Part II) and their effects on social outcomes (Part III). In Part II the contributors seek responses to the question of how institutions change, and they analyze the dynamics of institutions between continuity and change. Part III is dedicated to the question of how institutions affect social outcomes. Its chapters center on the influences that the institutional context has on institutions and, vice versa, inquire into the effect of institutions on other phenomena, such as innovation, productivity, and development.

Challenges in Institutional Research

The authors in Part I consider different viewpoints on institutions and key challenges that they identify for institutional research. The three chapters range from a general critique of the dominant schools of institutional theory and the conceptual challenges they face to organizational institutionalism and its problems of conceptualizing institutions in organizational fields, and finally to the critical engagement with institutions through the economics of convention. All these conceptual takes on institutional theory suggest that institutions need to be understood in social practice and within specific sociogeographical contexts.

In chap. 2, Henry Farrell discusses the major advances and shared challenges of institutional theories in rational-choice, historical, and sociological institutionalisms. He sharply analyzes some of the key theoretical problems, such as comprehensively explaining institutional change, modeling gradual transitions, distinguishing institutions from other kinds of behavior, and, most important,
demonstrating their causal force on social outcomes. He then searches for an endogenous theory of institutions that takes into account the mutual influence of institutions and the actions that they foster. Farrell concludes by outlining an alternative way of thinking about institutions as congregations of similar beliefs about specific rules, a line of thought that allows for institutions to be influenced by external factors as well as to change endogenously.

In chap. 3, Diego Coraiola, Roy Suddaby, and William M. Foster provide a novel approach for researching a core concept within institutional theory—the reproduction and change of organizational fields over time. They introduce the concept of mnemonic communities as institutionally shaped frameworks for remembering the past and making sense of the present. Rather than underscoring either the structural or ideational aspects of fields, the authors argue that seeing organizational fields as “imagined communities bounded by collective processes of remembering” hones analysis of how actors on various scales within the field attribute meaning to both structural relations and place.

The last contribution of this section, chap. 4, by Rainer Diaz-Bone, invites readers to view institutions through the lens of the French approach known as the economics of convention. Benchmarking it against a critique of transaction-cost theory, Diaz-Bone advocates an internalist concept of institutions that does not conceive of them only as external constraints. In the economics of convention, institutions are seen as incomplete on their own, without competent actors actively using them in specific situations by mobilizing conventions. Conventions, the cornerstone of this approach, are understood as the deeper culturally established knowledge frames that enable actors to interpret situations and to act appropriately. By highlighting agency, process, and situated interaction, this approach’s understanding of conventions coincides and overlaps with the definition of institutions in large parts of organizational institutionalism.

**Institutional Dynamics Between Continuity and Change**

Part II of this book shifts the focus on institutional dynamics and examines how institutions evolve between the extremes of continuity and change. The individual contributions offer conceptualizations of change as well as empirical case studies in the regional context, which highlight the potential mechanisms and different types of institutional change (and maintenance). In chap. 5, Andreas Hess discusses a particular kind of change, institutional emergence. His case study reconstructs the formal and informal dimensions that gave rise to the institution of the txoko (the Basque term for a gastronomic society), a singular Basque invention and an example of a specific institution in space and time. Summarizing the txoko’s development and the homogenization and differentiation processes that explain cultural peculiarities of the Basque Country, Hess strives to contextualize the phenomenon of the gastronomic society, especially the unique position that the txoko occupies as an interface between the public and the private sphere.
In chap. 6, Johannes Glückler and Regina Lenz theorize the dynamics of institutional change in response to shifting regulations. By conceptually separating institutional form from its function, they suggest a model that identifies which part of an institution changes and which one does not. They use this model to analyze two types of rather subtle and hybrid institutional change: drift and morphosis. The first example, drift, illustrates how the centuries-old institution of the journeyman years of German artisans has sustained its form while adapting its function to an ever-changing regulatory context. Conversely, the second example, morphosis, shows how German construction firms and public administration have found ways to circumvent new regulations against traditional customs of local preference in public procurement by conforming their practices to official procedural rules while essentially retaining the institutionalized function of favoring local enterprises. Glückler and Lenz’s analysis thus informs a new typology of modes of institutional change, offering a more nuanced understanding of institutional change in response to shifting formal regulations.

Similarly, in chap. 7, Jerker Moodysson and Lionel Sack analyze the possibilities for institutional change and innovation in contexts of rigid regulations that are generally hostile to change and in danger of institutional hysteresis. They assess how a protected label of origin cluster in Cognac, France, has given rise to both incremental and radical changes in recent decades even though regulation has remained the same. Their case study disentangles different types of change processes such as layering, drift, and conversion that are triggered by inefficiencies that had gradually emerged in a given institutional context. The region’s entrepreneurs, increasingly pressured to reinterpret their possibilities, broke free from regulatory constraints by innovating different, yet related, products without following local regulation.

In chap. 8, Tiina Ritvala inquires into how the production of art may constitute an important form of institutional work. In a case study on the process of designing a work of art that reminds viewers of the common responsibility to protect the Baltic Sea, she illustrates how institutional change can be actively achieved. Ritvala identifies three mechanisms through which artistic institutional work takes place: creating emotional response by generating a sense of nostalgia over a lost common experience, educating by producing a mnemonic device that informs the audience and constructs the commons as a shared category, and empowering marginalized actors to help protect the commons. The chapter shows how artists assist in creating a shared material and symbolic space through art, a process that helps construct mutual responsibility over collective resources, in this case the world’s seas and oceans.

In chap. 9, Tammar B. Zilber offers another example of the importance of agency in institutional work processes and situates her contribution at the very center of knowledge, space, and institutions. In her analysis of a high-tech industry conference, she focuses on how actors working in the Israeli high-tech industry use the concept of place to construct meaning and identity at field-configuring events. Beyond showing that organizational fields are largely discursive, nonspatial constructions around shared meaning systems, Zilber demonstrates specific mechanisms of how place is constructed in a discursive field through rhetorical strategies in multiple and sometimes contradictory or ambivalent ways.
The Impact of Institutions on Regional Learning and Development

Part III addresses the importance of the institutional context in shaping the economic outcomes of regions. The authors of the four contributions in this section probe the regional variation in development, production, and innovation, asking why some regions do better than others, how they can adapt to changes in their wider context, and how actors can actively shape their environment, either by adopting appropriate policies or by engaging in entrepreneurship. In chap. 10, Michael Storper investigates the uneven geography of innovation across time and places, an asymmetry that causes incomes and employment to diverge according to the innovativeness of places and to change from one period to the next. In an attempt to explain this variation, Storper carries out a detailed comparative study of two regions—Greater Los Angeles and the San Francisco Bay Area—from 1970 onward. He tests several mainstream explanatory approaches but finds that the different successes in the regions’ innovation transitions can best be accounted for by various institutional factors, collectively called the “relational infrastructure.” This infrastructure comprises cross-network connections that aid learning about new organizational practices, informal and leadership networks, and organizational sites that facilitate these contacts.

By contrast, the discussion in chap. 11, deals with the case in which institutions do not lead to positive regional transitions but rather to underperforming investments stemming from political interest rather than sound socioeconomic evaluations. Andrés Rodríguez-Pose, Riccardo Crescenzi, and Marco Di Cataldo show how local institutional environments shape types of public administration and rule-making and how investment decisions can contrast with the needs of and acceptance by the population. The authors illustrate their argument with several examples of prominent “prestige” investments in transport infrastructure in some European regions and contrast those investment strategies with less “glitzy,” but more necessary, infrastructure projects yielding better economic results in regions with better government quality.

In chap. 12, Harald Bathelt and Nicolas Conserva pose the question of how regional production systems can adapt their institutional context to altered conditions in order to remain successful. Empirically, they analyze regional restructuring in the Italian industrial district of Canavese and its adaptability to globalization processes over the past 35 years. Canavese has been traditionally dominated by the automotive and metallurgical industries linked to FIAT and the electronics industry associated with Olivetti. The authors argue that regional production systems that are characterized by localized learning dynamics can best adapt to globalization when hybrid institutional adjustment is taking place. In such situations fundamental institutional change aimed at triggering new economic developments in certain fields is combined with institutional persistence in others to integrate established industries actively into the restructuring process.
In the final chap. 13, Pamela S. Tolbert and Ryan Coles propose a research agenda based on the premise that entrepreneurship should be viewed as an institution. Their approach rests on the assumption that typical structures and processes involved in founding new businesses reflect common social understandings that members of a group have about both the value of a given enterprise and the ways in which it should be run. The local manifestations of these behavioral patterns and social understandings often vary across regions and over time. This fluctuation explains why studying entrepreneurship as an institution entails systematically delving into the sources of such geographic and temporal variability as well as its consequences. Tolbert and Coles discuss two key dimensions of such institutional variation—modes of entry and modes of governance—arguing that such research can provide an important basis for integrating the study of institutions in the growing body of scientific literature on entrepreneurship and can yield important theoretical and policy-oriented insights.

Conclusion

This book affords an explicit look at the intersection of geography, knowledge, and institutions. It bridges disciplinary boundaries within the social sciences to explore the spatial contextuality and temporal dynamics of institutions as well as their effects on knowledge creation and regional development. The chapters cover a range of current debates and empirically illustrate the great diversity of institutions, ranging from formal regulations to regionally specific patterns of stable practices, such as corruption, the function of art, and the historical institutions of traveling journeymen and the Basque gastronomic society. Some of the chapters stress the positive effects that institutions have on the renewal of traditional industries and clusters but also examine their adverse effects on infrastructure development and environmental protection. Other chapters show how regulation and policies try to influence and sometimes prohibit established institutions and reveal the reasons and possibilities for the failure of such influences. With theoretical discussions and empirical case studies, each chapter offers a geographical perspective to shed light on the contextuality of institutions and to pave the way for new research ideas exploring the part that social institutions have in shaping contexts and creating new knowledge.

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