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RESEARCH ARTICLE

On the adapting function of social institutions

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Abstract

In this paper, I introduce an important dynamic function performed by social institutions, which consists in helping individual actors to adapt to significant changes taking place in their environment. This adapting function is juxtaposed against the statically-oriented properties of institutions, which comprise their enabling, constraining, and orienting functions. I explicate the three major adapting roles of social institutions, which correspond to the cognitive, normative, and regulatory institutional elements, and explore the nine principal mechanisms by which social institutions can accelerate the adaptation processes. I examine the main outcomes of the adaptation processes supported by social institutions, as well as the key enablers and barriers to successful adaptation. I present a co-evolutionary model of adaptive dynamics involving individuals, institutions, and the broader external environment, and discuss the major implications of the proposed framework.

Key words: Adaptation; institutions; trust

1. The static and dynamic functions of institutions

Traditionally, scholars of institutional theory have focused on two important functions carried out by institutions, which consist in enabling and constraining social action (Hodgson, 2006; Jepperson, 1991; Scott, 1995). The first of these functions empowers individuals to pursue their goals through activating cognitive schemes that guide purposeful action and providing access to necessary resources (Sewell, 1992). The second institutional function restricts or prohibits certain types of behavior through establishing various legal, normative, and cultural-cognitive constraints on individual action. Some authors tend to overstress the constraining features of institutions at the expense of their enabling role (North, 1990). In response to this unbalanced focus on the constraining effects of institutions, Hodgson (2006) points out that constraints in themselves can open up new possibilities by enabling choices and actions that otherwise would not have been exercised by individuals.

Recently, Cardinale (2018) has offered an important extension of the enabling/constraining dichotomy. In his framework, institutions receive an additional orienting function, which determines the individual actors' inclination to pursue only certain types of options from the broader set of opportunities provided by the institutional structures. Through introducing a distinction between the enabling and orienting functions of institutions, Cardinale (2018) makes it possible to differentiate between merely creating a space of possibilities for individual actors and inducing individuals to prefer some of those possibilities over others. As a result of adding a third institutional function, 'we obtain an image of actors who, at any given moment, face structural constraints, enjoy spaces of open possibilities that they posit as such and consciously evaluate, and are pre-reflectively drawn toward actions that express the active orientation of structure' (Cardinale, 2018: 145).

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While this more refined version of an institutional impact on individuals, which encompasses its enabling, constraining, and orienting aspects, advances our understanding of the principal functions performed by social institutions, it still remains seriously incomplete due to its essentially static character. As witnessed by the above quotation, a novel framework assumes that institutions exercise their enabling, constraining, and guiding influence over individuals 'at any given moment', offering a synchronic rather than diachronic perspective on the interactions between the institutions and individuals. In such an approach, institutions are supposed to allow, prohibit, or prompt individuals to perform certain activities at a single point in time or during a relatively short time period, when individual actors contemplate which course of action to take under the current circumstances. Circumstances of action, however, may change quickly and dramatically, leaving individuals with the burden of adapting to new reality. In this situation, institutions may need to display their capacity to assist individuals in adapting their cognitive models, normative principles, and behavioral routines to the profound changes occurring in the external milieu. This dynamic property of institutions that reflects the evolving nature of the relationships between individual actors and their environment is called here *an adapting function of institutions*. It is expected to be performed during a fairly long period of time, in which environmental changes accumulate and interact with the individuals' established patterns of thought and action.

The dynamically-oriented adapting function of institutions serves as an important feature that facilitates the individuals' alignment with the ever-changing external environment – an aspect which has so far been overlooked by institutional theorists. By performing the adapting function, institutions help individuals to achieve the better fit between the beliefs, values, and attitudes espoused by individual actors and the changing structure, dynamics, and properties of their environment. This requires that institutions assist individuals in accommodating the important cognitive, normative, and regulatory shifts, which occur in modern societies, through making them understandable, acceptable, and actionable to various individual actors. Such an understanding of the adapting role played by institutions follows an influential line of reasoning suggested by Ostrom (1990, 1998). According to this view, the long-enduring institutional solutions to societal challenges are assumed to maintain compatibility with local conditions and promote the active participation of individuals in establishing and modifying institutional arrangements that regulate their interactions with the external environment. Put differently, through 'fitting institutional rules to a specific social-ecological setting' (Ostrom, 2010: 642), it is possible to achieve a better alignment between changing environments, institutional structures, and individual preferences (Boettke *et al.*, 2008; Chamlee-Wright, 2005; Choi and Storr, 2019), which expedites the process of individuals' adaptation to evolving environmental conditions.

Table 1 summarizes the comparative characteristics of the enabling, constraining, orienting, and adapting institutional functions.

With regard to individuals' reactions to environmental changes, this paper draws a clear distinction between the processes of adaptation and adjustment, which differ from each other in two important respects. The first dissimilarity between adaptation and adjustment concerns their temporal characteristics. Adaptation refers to continual, ongoing processes that aim to reduce the distance between individual actors and their external environment (Sarta *et al.*, 2021). If successfully accomplished, the processes of adaptation lead to an increase in the individual-environment adaptive fit, which denotes a degree of congruence between individuals' expectations and constantly evolving features of their environment. By contrast, the process of adjustment covers a relatively short period of time, during which individuals try to bring their cognitive or behavioral patterns in line with new circumstances that reflect one-off and often small-scale changes in their external settings. To give an illustration, adaptation is represented by the case of a metal worker who becomes an IT-specialist as a result of digitization processes taking place in the industry, while adjustment refers to the case of the same metal worker leaving to go work for another manufacturing company in the same job capacity.

The second difference between adaptation and adjustment relates to the amount of resources needed to complete the respective process. Existing studies indicate that adaptation requires considerable resources, and its success depends upon the magnitude of resources that can be deployed for

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Table 1. The main functions of social institutions

Function	Nature	Description
Enabling	Static	Allows actors to pursue a range of opportunities in a number of different fields
Constraining	Static	Inhibits or outright bans certain activities
Orienting	Static	Prompts individuals to take a certain course of action and select just some of the available opportunities
Adapting	Dynamic	Helps actors to adapt to ongoing changes in their environment

adaptation purposes (Álvarez and Merino, 2003; Chakravarthy, 1982). In comparison with adaptation, adjustment processes consume significantly less resources and can be accomplished by individuals without attracting new resource flows. Referring to the previous example, retraining of a metal worker requires a certain amount of financial and other resources dedicated to this purpose, while adjustment to a new workplace can be achieved by minimal personal efforts to modify previously established behavioral routines. In the following, this paper focuses solely on the processes of individuals' adaptation to lasting environmental changes, which, under certain conditions, can be assisted by social institutions.

It might be asked why we need to consider a separate adapting function of social institutions, on top of already existing enabling, constraining, and orienting institutional functions, especially given that institutions themselves continually undergo gradual transformative changes, which occur even in the relatively stable periods of time that are not marked by any external shocks or abrupt socio-economic shifts (Mahoney and Thelen, 2009; Streeck and Thelen, 2005; Thelen, 2004). In a nutshell, the answer to this question is that although currently known institutional functions can in principle support individuals' adaptation to changing environmental conditions, this is not their primary task. The enabling, constraining, and orienting functions of social institutions serve the purpose of developing 'shared understandings that certain actions in particular situations must, must not, or may be undertaken and that sanctions will be taken against those who do not conform' (Ostrom, 1998: 10). This is different from aligning individuals' beliefs, habits, and behavioral routines with the evolving demands of the external environment. Even though institutions accumulate incremental changes over time, this transformation is not necessarily accompanied by synchronous changes in individuals' thoughts, norms, and behaviors. Notice that the adapting function of institutions consists not so much in transforming institutions in accordance with changing realities of the broader social, political, or economic environment, as in assisting individuals to adapt their cognitive frameworks, normative orientations, and behavioral patterns to the significant changes occurring in their external settings.

The view of institutions as vehicles helping individuals to adapt to their changing environment echoes the argument advanced by North (1990) that institutions exist to reduce the uncertainties stemming from the gap between the complexity of the problems arising in the outer world and the limited cognitive abilities of the individuals striving to solve these problems. Yet, in contrast with North's assumptions, the adapting function of institutions introduced in this paper does not have a static character. It does not intend to structure the immediate interactions between the individuals and their environment by limiting the currently available 'choice set of the actors' (North, 1990: 25). Rather, it seeks to achieve a lasting alignment between the changing properties of the external environment and their cognitive representation in the individuals' minds. Institutions help individual actors to adjust to their altering surroundings by changing 'aspirations instead of merely enabling or constraining them' (Hodgson, 2006: 7). They exert a significant downward impact on individuals (Hodgson, 2007), modifying their thought patterns, moral beliefs, and behavioral intentions in accordance with the changing environmental conditions. 'Institutional frameworks', as Scott (1987: 508) rightly reminds us, 'define the ends and shape the means by which interests are determined and pursued'. What the current paper strives to understand is how institutions help individuals redefine the needs and reshape the means, which are involved in determining and pursuing their interests, in light of the profound changes occurring in their environment.

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My primary focus in this paper is not on how institutions themselves adapt to environmental shifts in order to attain stability and endurance (Weik, 2019). Rather, I am interested in eliciting the role of institutions in maintaining the precarious balance between the individuals' ingrained habits of thought and action and the evolving structures, processes, and relational mechanisms observed in their external environment. Institutions, however, may also undergo changes as a result of co-evolutionary patterns emerging in the interaction between the individuals and their evolving environment. These dynamic changes will be discussed in the penultimate section.

2. The adapting function of institutions and institutional trust

An important corollary of a new dynamic function of institutions, which is introduced in this paper, consists in its potential influence on how individuals develop their trust in social institutions – a question that takes on a heightened significance in light of the worrying tendencies observed in the area of forming and sustaining institutional trust. The past decades have seen a marked decline in public trust in various institutions of modern capitalist societies (Dalton, 2005; Nye *et al*., 1997; Paxton, 1999). Although the available data show some non-linearity and fluctuations in the dynamics of trust related to different institutions, countries, and time periods (Paxton, 1999; Van de Walle *et al*., 2008), the overall results of the studies draw an alarming picture of the extent to which the public loses trust in the fundamental social institutions. According to the Gallup surveys, in the United States, trust in the presidency (measured as the share of respondents having 'a great deal' or 'quite a lot' of trust) diminished from 52 percent in 1975 to 38 percent in 2019, in the Congress from 40 to 11 percent, in the public schools from 58 to 29 percent, in the church or organized religion from 65 to 36 percent, in the media from 39 percent in 1973 to 23 percent in 2019. In those instances, where public trust in institutions does not indicate a downward trend, it still remains at steadily low levels: for example, trust in the American big business has been hovering at around 25 to 30 percent since 1973.

Similar evidence of low or diminishing trust in the institutions of the capitalist society has been found in other countries, big and small, developed and emerging (Norris, 1999), from the West and the East (Tan and Tambyah, 2011). Perhaps the most striking feature of these observations consists in the uniformity of the descending trust dynamics concerning very different objects of public trust. People tend to exhibit growing disappointment, distrust, and skepticism toward a broad range of social institutions, regardless of whether the question of trust relates to the institutions with which they have frequent and regular interactions (the media, the healthcare system), only intermittent encounters (the police, the big business), or, probably, no direct contact at all (the courts). Such a generalized pattern of public distrust, which seems not to be invoked by the failure of any particular institution, raises a question about the grounds for these sweeping negative assessments of a string of institutions belonging to the modern capitalist system.

To address this issue, I first need to explicate the specificity of developing trusting attitudes toward social institutions. Here I define social institutions as a set of regularized, rule-based practices that affect, shape, and sustain social relationships in a certain domain of modern societies. These institutions constitute separate and autonomous parts of the broader external environment, which is composed of the events and tendencies that influence individual actors' judgments, decisions, and behavior. Individual actors may experience trust in social institutions, which means that they expect them to protect individuals' interests and not to exploit their vulnerabilities in the corresponding domains of social interactions (Rousseau *et al*., 1998). It is important to note in this respect that while institutions are considered to be a separate part of the external environment, they cannot be regarded as extraneous to individuals' interests, practices, and beliefs. By crafting informal rules and conventions, forming associations, and participating in making decisions concerning their collective interests, individuals create long-standing institutional arrangements that regulate their interactions in a large array of social and ecological contexts (Ostrom, 1990, 1998). Historically, these institutional arrangements constituted the primary form of political participation, allowing individuals to directly represent and protect their interests. Many of these institutions, however, have undergone

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transformation with the coming of modernity and the concomitant disembedding of social relations (Giddens, 1990). As a result of this historical evolution, individuals are more likely to be confronted with a weakening of their direct representation within the existing institutional structures, which may contribute to a growing sense of alienation and distrust of modern social institutions.

Notice that the individuals' trust in institutions differs from all other forms of trust, including interpersonal trust, in one crucial aspect: it does not assume reciprocity. Institutions do not have any reciprocal commitments towards the individuals who experience trust in them, nor can they in turn display trust in individual actors. Institutions cannot reciprocate our trust, let alone put their trust in us, because 'they lack the ability to have the relevant reactive attitudes' (Domenicucci and Holton, 2017: 158).

This inability to make reciprocal commitments has profound implications for how individuals develop their trust in institutions. As Hardin (2002) convincingly argues, commitments of the trusted party have a much higher significance for building trust than mere regularity or continuity of the interactions between the trustor and the trustee. Therefore, if institutions could demonstrate their commitments to individuals, this would form a considerably stronger foundation for the individuals' attitudes of trust, compared to just having ongoing and repeated interactions with those institutions. Unfortunately, the absence of such reciprocal commitments renders this option unfeasible. As a result, individuals are forced to establish their trust in institutions on a much weaker basis: they seek predictability of institutional behavior, rather than look for the signs of the institutions' commitment to them.

A sense of predictability of institutional behavior, and therefore a positive assessment of the institutions' trustworthiness, arises from the past beneficial interactions with these institutions (Hardin, 1998). Yet these feelings are not reducible to the positive experience accumulated by individuals in previous encounters. As Jepperson (1991: 147) puts it, 'institutions operate primarily by affecting persons' prospective bets about the collective environment and collective activity. These prospective bets have a distinct temporal orientation: they take into account the contingency of future events and actions. In a changing world, individuals develop complex expectations about the future roles of institutions, which involve not only the reproduction of previously established interactional patterns, but also the institutions' ability to adequately operate and perform their duties under altering circumstances and in the rapidly evolving external settings. The individuals' trust in institutions is premised not so much on considerations of reciprocity as on the expectations of the institutions' appropriate behavior governed by certain rules, conventions, and routines (March and Olsen, 1989), which are supposed to withstand major shifts occurring in the external environment. When such aspirations are fulfilled, individual actors place and extend their trust in institutions; when not, individuals readjust their attitudes towards social institutions, demonstrating growing skepticism, disappointment, and distrust.

In this paper, I do not assert that institutions serve as the sole determinants of the individuals' successful adaptation to the evolving reality, since institutions influence, but do not dictate the choices of individual actors. After all, individuals have enough cognitive autonomy to implement reasonable efforts at making sense of and adapting to the changing realities of their external settings, even if they do not receive help from the respective social institutions. Yet, at the same time, individuals harbor certain expectations concerning the adaptation-assisting capacity of social institutions with which they engage, and are likely to judge their trustworthiness in accordance with how institutions fulfill these expectations. Furthermore, the individuals' expectations that institutions will adequately perform their adapting function are likely to be heightened when the external environment is marked by rapid, abrupt, or radical changes.

If institutional distrust indeed emanates from the discrepancy between individuals' expectations and the actual outcomes of their interactions with the constantly changing external environment, an important, although not the sole, reason for the persistent decline of public trust in social institutions lies in the latter's apparent inability to perform their adapting function, that is, to assist individuals in aligning their aspirations, beliefs, and behavioral patterns with the evolving context of their external reality. The failure in fulfilling the adapting function offers, therefore, a complementary

explanation of a steady distrust of public institutions, along with the more traditional views on the sources of decreasing institutional trust, which put an emphasis on a growing individualism or citizens' disengagement from immediate social interactions. It is this dynamic function of institutions, until now neglected by the institutional theory, that is able to reconcile the individuals' hopes, attitudes, and practical actions with an ever increasing complexity of the outer world, and it is this element of social institutions whose failure may eventually result in the individuals' anger, frustration, and distrust toward the major institutional pillars of the modern capitalist system. The next sections offer some theoretical propositions concerning the links between the adaptation-assisting function of social institutions, institutional trust, and various enablers and impediments to the adaptation processes.

3. The three adapting roles of social institutions

Institutions, which are supposed to carry out the adaptation-assisting function, can help individuals to enhance their fit with the external environment by performing three major adapting roles, which pertain to the cognitive, normative, and behavioral dimensions of the adaptation processes. These adapting roles correspond to the cultural-cognitive, normative, and regulative elements identified by Scott (1995, 2008) as the three pillars that underlie and support an institutional order.

The cognitive adapting role of social institutions consists in helping individuals to acquire new concepts, place them in a correct context, and unpack various meanings associated with novel notions. This role is related to the cultural-cognitive institutional elements that emphasize the shared conceptions and frameworks through which individuals construct their representations of the world (Scott, 1995, 2008). Note that the cognitive adapting role played by social institutions is not reduced solely to providing the cognitive frameworks that help individuals to better grasp the new realities of their external environment. Rather, the cognitive adapting function strives to assist individuals in changing their cognitive patterns to remain in sync with ever more complex and constantly evolving environmental settings. Consider as an illustration how the media institutions can play the cognitive adapting role in assisting the general public, which becomes increasingly aware of the necessity of sustainable consumption, in moving from an abstract concept of sustainability to a more concrete notion of carbon footprint. In conveying complex ecological narratives, such as calculation and reduction of the total emissions of carbon dioxide, it is not enough for media outlets to introduce a fashionable term – the media are also expected to explain its hidden meanings and implications to individual actors who are unfamiliar with the modern production and distribution practices. The purpose is to make it abundantly clear to individuals, for instance, that carbon footprint labels should not be conflated with the labels signifying ethical sourcing; that carbon footprint parameters do not account for the negative impact of other contaminating components, such as nitrogen dioxide; and that calculating the entire carbon footprint of a certain product can be extremely difficult due to the scope and complexity of contemporary multi-tier supply chains. In helping individuals to understand and assimilate the concept of carbon footprint, the media perform an adaptation-assisting role, as they take into account what readers already know, clarify and refine their knowledge, and extend their cognitive frameworks in order to achieve a better fit with the complex realities of the external environment. Importantly, this cognitive adapting role cannot be performed by static functions of the media institutions, which only orient readers toward specific cognitive meanings that are currently present in the public discourse, but are not concerned with driving and navigating adaptive changes in the readers' minds and mental concepts.

The normative adapting role of social institutions lies in assisting individual actors to identify, interpret, and internalize new values and norms that guide individuals' attitudes and behaviors in the evolving external settings. This role is connected to the normative elements, which contribute to an institutionalized social order through integrating prescriptive, evaluative, and obligatory aspects into the practice of social interactions (Scott, 1995, 2008). An example of normative adaptation would be big business responding to the growing public desire to purchase ethically sourced goods by driving consumer attention to the complex moral trade-offs between the interests of business, which incurs extra

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costs in order to improve safety and labor conditions in emerging economies and produce goods ethically, thereby creating a smaller amount of well-paid jobs, and the demands of local populations who need a large amount of jobs, even poorly paid, just to provide for their families. An ability to recognize and navigate multiple and often conflicting norms and expectations that emerge in a fast-changing social world is likely to enhance the individuals' aptitude for adapting to rapid shifts in their environment.

The behavioral adapting role of social institutions involves assisting individuals in adopting new behavioral practices, applying them systematically, and deriving benefits from following new rules that regulate their interactions with the external milieu. This role is linked to the regulative institutional elements that stabilize social behavior through highlighting rule-setting, monitoring, and sanctioning activities (Scott, 1995, 2008). For example, the behavioral adapting role played by the modern healthcare institutions assumes an action-oriented approach: it aligns the individuals' behavior with the new requirements set out by influential actors in the managed care systems, such as insurance companies with their growing weight 'in determining what is to be done for a patient, where it will be done, who will do it, and what the cost should be' (Illingworth, 2005: 9). Given the pragmatic character of behavioral adaptation, this kind of adaptive processes is likely to be easier to stimulate than cognitive and normative adaptation. Yet profound and systematic changes in the individuals' behavioral routines can be elicited only through the modification of underlying cognitive attitudes and normative frameworks. It is in this sense that different adapting roles, as well as various institutional elements associated with these roles, can reinforce or undermine each other's impact (Scott, 2008), thereby contributing to stronger or weaker adaptation results.

Admittedly, all three adapting roles that are supposed to be performed by social institutions can end in failure, which would bring about adverse consequences for the individuals seeking to accommodate changes in their external environment. First, institutions may botch their cognitive adapting role. As a result, individuals would come to adopt new ethical norms and take practical actions aimed at improving their fit with the evolving environment, but they would not properly understand the essence of novel concepts, processes, and challenges arising in their external settings. This is an *idealistic* adaptation to the changing reality, marked by a naïve acceptance and a hollow endorsement of new tendencies. An example of this kind of maladaptation, which would attest to insufficient interpretive efforts made by the media institutions, environmental NGOs, and business organizations, is a case of an individual who supports green values and refuses to buy products that are not environmentally friendly, but does not grasp the nature of production, procurement, and distribution processes in the modern value chains and, as a result, is not able to discriminate between the distantly produced but eco-friendlier goods and the local stuff with a higher negative environmental impact.

Second, social institutions can also mismanage their normative adapting role. In this instance, individuals will demonstrate an understanding of new events, trends, and patterns occurring in their environment and pragmatically adhere to the latest rules and regulations, but they will not share new ethical values and moral attitudes associated with environmental changes. This is a *cynical* adaptation to evolving circumstances, which is characterized by an induced acceptance and a lack of genuine moral endorsement of profound changes taking place in the individuals' external settings. To illustrate this adaptation defect, consider a situation of individuals confronting the political decisions made in response to a growing wave of immigration to their country. If political institutions and human rights NGOs do not use the opportunity to promote moral principles underlying these decisions, individuals may end up understanding the main points of the new legislation and duly paying taxes to finance the transfers to new immigrants, while disagreeing with the moral appropriateness of expressing social solidarity with newcomers in this way – that is, 'recognizing the validity of the rules… without necessary believing that the rules are fair or justified' (Scott, 1995: 36).

Finally, institutions of a modern society can fail to perform their behavioral adapting role. This maladaptation pattern can be observed in those cases where individual actors properly understand new developments in their environment and modify their moral reasoning accordingly, but do not act upon these understandings and inclinations. Such indecisiveness represents a *detached* adaptation to the changing reality, when accurate knowledge and virtuous moral principles do not translate into

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practical actions. An illustration of this predicament would be a situation, in which NGOs and research communities urge farmers in emerging economies to switch the crops they produce, to make them more suitable to changing climate conditions. The problem is that, despite these institutions' efforts to assist agricultural producers in adapting their behavior to new environmental demands (for instance, through conveying the necessary technical information and disseminating market data), many farmers in these countries stubbornly stick to traditional crops even though they face diminishing returns on their investment. While farmers may cognitively acknowledge the need to adapt their agricultural practices to climate change, and may even support such a move on moral grounds, since it would make their communities more sustainable and less prone to adverse events, they still fail to align their behavior in accordance with these abstract principles. Their inability to change or diversify crop varieties reflects the failure of social institutions to assist and drive the farmers' behavioral adaptation to changing realities of their external environment.

In all three of the above instances, individuals will perceive institutions as being unable to adequately perform their adapting function along the cognitive, normative, or behavioral dimension, thereby hindering the individuals' efforts to adapt to the new demands of their rapidly changing environment. For that reason, social institutions can be blamed for the partial or complete failure in carrying out the adaptation-assisting responsibilities attributed to them by the individual actors who confront systemic and complex challenges in their fast-moving external settings.

Note the existence of a certain tension between the static and dynamic functions of social institutions, which helps explain how individuals can put the blame for their maladaptation on those same institutions that inform their meaning-making activity and shape their social reality. While static functions, which include enabling, constraining, and orienting institutional dimensions, to a large extent determine how social institutions help individuals make sense of, and ascribe certain meanings to, the objects of the external world, a dynamic adaptation-assisting function of institutions attempts to help individuals challenge and change existing beliefs and meanings, along with concomitant norms and behavioral patterns, in order to achieve a better fit with the evolving environment. Some institutional roles, therefore, aim to preserve current cognitive, normative, and behavioral practices adopted by individuals, while others strive to facilitate the adaptation of these practices to changing external settings. Individual actors who rely on the adaptation-assisting function of social institutions to bridge the gap between individuals' established practices and new environmental demands are supposed to pay close attention to how institutions perform their dynamically-oriented roles and develop positive or negative attitudes toward those institutions on the basis of how effectively they contribute to individuals' adaptation needs.

4. The major mechanisms of adaptation

Institutions can perform their adapting roles by employing a number of mechanisms intended to increase the individuals' adaptive fit to the changing environment. Each of these mechanisms relates to a certain direction of adaptation efforts, assisting individual actors to adapt their cognitive models, normative beliefs, and behavioral patterns to the new realities of their external milieu. Below I specify the nine principal ways by which institutions may help individuals to adapt to major shifts in their environment. I illustrate the working of these mechanisms by the examples drawn from the managed care settings, which underscore the evolution of the contemporary healthcare system toward a more commercially oriented model based on cost containment and the more efficient utilization of medical facilities (Gray, 1997; Illingworth, 2005). In adaptation terms, these developments highlight the need for individuals to align their perceptions of the role and work of medical institutions with the changing contexts in which medicine operates (Stepanikova *et al.*, 2009).

4.1 Normative adaptation

The three primary mechanisms through which institutions can help individuals to adapt their moral codes to the changing realities of a modern society comprise *elevation*, *normalization*, and *continuation*.

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4.1.1 Elevation

By using this adapting mechanism, institutions appeal to higher-order ethical principles and values, which override the more specific moral concerns that might be expressed by the individuals confronting substantial changes in their environment. In order to conform to these superior values, individual actors are supposed to modify their moral concepts or shift the focus of their moral reasoning. For instance, individuals who voice their dissatisfaction with the reduced time allocated for each medical visit due to the productivity pressures imposed on physicians by the managed care industry (Feldman *et al.*, 1998; Stepanikova *et al.*, 2009) can be reminded that shorter medical visits allow doctors to see more patients, which contributes to the overall rise in the affordability and accessibility of high-quality medical assistance.

4.1.2 Normalization

This instrument intends to dispel the individuals' doubts about the moral appropriateness of the situations arising in their interactions with the changing elements of their external environment. A decision, which is judged morally problematic from the individuals' viewpoint, is portrayed as fair and legitimate, and the modified moral principles underlying this decision are declared right and sensible, thereby constituting new norms in the evolving environmental contexts. An example of such moral recalibration can be found in the support given to cost-benefit considerations applied by insurance companies in deciding whether to approve an expensive treatment plan, on the grounds that cost containment would give other patients with similar conditions the opportunity to receive the necessary care. The normalized character of such a decision is grounded in the necessity to efficiently manage the limited resources of medical organizations, to enable them to flexibly accommodate the requirements of various patient categories.

4.1.3 Continuation

Institutions resort to this adapting mechanism in order to emphasize the common moral principles that link together past and current experiences of the individuals confronting important changes in their external settings. A novel situation is described as a replication or a natural extension of the previously existed institutional order, governed by the same moral rules. It is interpreted as not containing any new elements that might complicate the moral evaluation of actions and decisions implemented in the institutional realm. For example, if patients are worried that, under managed care, their relationships with physicians become too business-like, being dominated by consumer choice and efficiency logic (Stepanikova *et al.*, 2009), their concerns can be allayed by referring to the historical patterns of delivering healthcare through establishing a private practice that aims to generate income and balance its books. As Mechanic (1998a: 667) rightly reminds us in this respect, '[t]houghtful patients have always understood that physicians have their own personal interests to earn a decent living and to have some control over their schedules'. Through acknowledging this business orientation as a traditional and legitimate norm that has always been present in the medical profession, patients may be convinced that the introduction of managed care does not challenge the ethical principles of medical practice.

In all three of the above examples, social institutions are assumed to help individuals to adapt their moral reasoning to changing realities of their external environment. The success of these adaptation-assisting efforts, however, depends on the concomitant adaptation of individuals' cognitive frameworks, thereby illustrating the previous section's argument that different adapting roles can reinforce each other's impact. Indeed, individuals are expected to recognize the fair character of changes in the healthcare system only insofar as they simultaneously modify their cognitive models to adopt the logic of managed care, which is based on neoliberal principles and cost-benefit analysis (Larsen and Stone, 2015; McGregor, 2001). Importantly, these changes in cognitive representations are promoted by the same institutions, which assist the individuals' normative adaptation to altering circumstances. As a result, social institutions are able to exert a distorting influence on the adaptation processes by persuading and even forcing individuals to uncritically adopt new cognitive practices or moral norms, rather than simply assisting individual actors to reach a better alignment with the

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evolving external settings. Institutions, therefore, can have a serious impact on how individuals see their adaptation tasks, which may affect the pace and direction of their adaptation efforts.

4.2 Cognitive adaptation

Institutions can help individuals to adapt their cognitive frameworks to significant changes occurring in the external environment through the use of *clarification*, *commendation*, and *alleviation* strategies.

4.2.1 Clarification

This instrument assists individual actors to change their mental representation of the evolving situation by offering extensive comments on the new processes and phenomena that emerge in the external realm. It also aims to explicate the meanings of novel concepts, models, and ideas that need to be absorbed by individuals in order to inform and guide their actions and decisions under altering circumstances. A case in point is a concept of informed consent, which relates to an optimal choice of a health insurance plan (Brown *et al.*, 2011; Gray, 1997). As changing regulations in the medical environment give individuals more freedom in selecting a type of health insurance that best suits their interests, it is supposed that they will choose a particular insurance plan on the basis of the precise knowledge about comparative costs and benefits associated with different options. However, given the amount and complexity of the medical data necessary to optimize personal choices and the cognitive constraints in assimilating technical information, it is important that insurers provide this information in a clear and accessible way, stressing the key parameters, such as coverage, costs, deductions, waiting times, hospital admission rates, and overall patient satisfaction. By clarifying and deciphering the meanings behind the patients' informed choice, health care institutions can elicit proper understanding of the changing context of the interactions between the individuals and the modern medical systems.

4.2.2 Commendation

By using this mechanism, institutions emphasize the advantages of new ideas, initiatives, and innovative solutions for the individuals' well-being and highlight various ways through which individual actors can benefit from complying with changing rules and regulatory regimes in a certain environmental domain. The idea behind applying this adapting technique is to transform the individuals' cognitive representation of major shifts taking place in the external milieu by stressing their positive features and outcomes. For example, insurance companies may cast a favorable light on the introduction of a flexible array of managed care plans (Davies and Rundall, 2000; Emanuel and Dubler, 1995) through driving the individuals' attention to the many benefits of new arrangements, including the possibility of managing the costs and risks associated with healthcare provision, switching between insurance plans to reduce expenses, and optimizing the continuity of healthcare.

4.2.3 Alleviation

By developing this approach to assist the individuals' cognitive adapting efforts, institutions seek to soothe the individual actors' concerns about the negative effects of environmental changes and dispel their fears that novel rules and regulations will make them worse off. In contrast with the previously discussed adaptation mechanism, the primary focus here is on avoiding the adverse consequences of evolutionary developments rather than benefitting from their positive aspects. An example from the managed care settings illustrating the alleviation strategy concerns the individuals' cognitive response to the diminished availability of specialists and the limitations on frequency of specialists visits, which arise from the introduction of primary care physicians who serve a gatekeeping function for the health insurance plan and are responsible for healthcare cost containment (Davies and Rundall, 2000; Feldman *et al.*, 1998). Under these circumstances, the institutions of managed care can point to a number of favorable aspects counterbalancing this negative trend, such as the greater continuity of care and less expensive treatment provided by primary care practitioners, or their ability to protect patients from unnecessary tests and procedures (Davies and Rundall, 2000; Feldman *et al.*, 1998).

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4.3 Behavioral adaptation

A number of regulatory mechanisms employed by social institutions can help individuals to better align their behavioral patterns with changing circumstances of their external environment. These mechanisms encompass *promotion*, *routinization*, and *obstruction*.

4.3.1 Promotion

In order to enhance the fit between the individuals and their external settings, institutions can promote certain types of behavior, making them better suited to changing rules and norms. If individual actors find new policies and regulations perplexing or frustrating, and therefore are hesitant or disinclined to alter their behavior accordingly, promotion mechanisms may create additional incentives to conform to new rules and prompt individuals to more actively explore new opportunities in their environment. Promotion strategies can use different means to improve the individuals' adaptive fit, including selective rewards, the rationing of goods and services, expert recommendations, and the dissemination of best practices. An example of promotion in the managed care settings can be found in the introduction of new health insurance policy provisions. In response to initial patients' resentment over limited access to specialists, some insurance companies have expanded patients' choice of doctors by allowing them to make direct appointments with specialists, circumventing the primary care physician gatekeeping, or seek care from providers, which are not listed in the health plan, for an increased fee (Feldman *et al.*, 1998).

4.3.2 Routinization

Through using this adapting instrument, institutions seek to establish a habitual practice of following new norms and rules, enabling individuals to naturally adopt new behavioral patterns and steadily reproduce them without much conscious awareness and consideration given to them. The aim of employing this mechanism is to introduce 'routine reproductive procedures' (Jepperson, 1991: 145) that sustain and reinforce the behavioral practices deemed desirable under the changing environmental conditions. In the managed care industry, routinization can be exemplified by the emphasis placed on preventive care (Feldman *et al.*, 1998), when routine check-ups help the patients avoid the exacerbation of chronic conditions, which would require a more expensive hospital treatment. Another form of routinization can be found in the implementation of critical pathway guidelines (Mechanic, 1998b), which provide hospitals and patients with the opportunity to achieve the best treatment results in a cost-effective and timely manner. These guidelines intend to change some hospital practices and make the prescribed ways of operation routine.

4.3.3 Obstruction

This regulatory regime aims to block the individual actors' attempts to revert back to old behavioral patterns, which become incompatible with the changing environmental conditions. For example, in the new reality of managed care, patients have to accept that they may be unable to get an immediate appointment with a physician given the tight schedules and the limited availability of medical specialists in some areas. While it is possible that patients will perceive this lack of the availability of the physician for immediate consultation as a lack of caring (Stepanikova *et al.*, 2009), they still cannot avoid booking appointments in advance. A modern system of managed care firmly discourages certain types of patients' behavior, prodding individuals to align their ways of interacting with medical professionals accordingly.

5. Enablers and impediments to the adaptation processes

Three conditions seem to be especially pertinent to how institutions carry out their adapting function, augmenting both the need for individuals to align their expectations with the changing environment and the role played by social institutions in the success of this adaptation. The first factor is the

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perceived salience of an issue, object, or behavior, which undergo profound transformation as a result of fundamental changes in the external environment (Bundy *et al.*, 2013; Mitchell *et al.*, 1997). The bigger the importance ascribed by individuals to a certain domain of their interactions with the external world, the more likely those individuals have deeply seated moral convictions about what is right and wrong with respect to the actions taken in this domain (Brown *et al.*, 2016; Neville *et al.*, 2011), and the more significant it is to adapt their moral reasoning to the changing situational context in which these interactions take place. As the established norms and customary practices may lose their relevance in altered circumstances, institutions can enable individuals to absorb these normative changes and effectively respond to shifts in the moral landscape of their environment. In turn, the modification of the individuals' moral approaches will have a positive impact on their cognitive and behavioral adaptation to the emerging environmental trends.

Proposition 1a. The bigger is the significance for individuals of the events, relationships, and arrangements pertaining to the rapidly evolving areas of their environment, the more positively the individuals will assess the adapting performance of social institutions in these areas and the more negatively evaluate their failure in assisting the individuals' adaptation needs.

Proposition 1b. The bigger is the perceived salience of the objects undergoing profound transformation, the greater will be the likelihood that the positive (negative) assessment of the institutions' adapting performance in relation to these objects will lead to an increase in institutional trust (distrust).

The second factor emphasizing the necessity of adaptation and heightening the risk of institutional inaction in that regard consists in the urgency of reacting to significant environmental changes (Elster, 2009; Mitchell *et al.*, 1997). Such urgency spurs adaptation primarily at the behavioral level (Zhu *et al.*, 2018), as individuals strive to quickly adapt their behavioral routines to fit the new requirements of their rearranged environment. At the same time, these behavioral developments are premised on the changing dynamics of the individuals' cognitive predispositions and moral judgments, which also have to be swiftly aligned with the evolving patterns of social relations. In a situation marked by urgency, institutional actions have a direct impact on the speed of the adaptation processes, which constitutes a crucial element in forming an adequate response to rapid and intense shifts in the external environment (van Wijk and Fischhendler, 2017).

Proposition 2a. The greater is the urgency of responding to major shifts in the rapidly evolving areas of the external environment, the more positively the individuals will assess the adapting performance of social institutions in these areas and the more negatively evaluate their failure in assisting the individuals' adaptation needs.

Proposition 2b. The higher is the urgency of reacting to significant environmental changes, the greater will be the likelihood that the positive (negative) assessment of the institutions' adapting performance in relation to these changes will lead to an increase in institutional trust (distrust).

The third factor calling for an accelerated adaptation to the changing environment concerns the size of the gap between the previously established individuals' attitudes and the altered requirements and constraints of their external settings (Hertwig and Pedersen, 2016; Simon, 1990). A large divide between the expectations and reality can baffle the individuals, hindering their ability to understand the essence and effects of environmental changes, let alone amend their behavioral patterns in accordance with what they cognize. This, in turn, will impede the individuals' efforts to adapt their cognitive schemata in ways that support their interaction with the evolving environment. As with the two previously discussed factors that instigate the adaptation efforts, a wider gap between the intrinsic thought patterns and changing external circumstances tends to increase the price for institutional inaptness in

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dealing with the individuals' request for adaptation, leading to higher levels of distrust toward those social institutions that failed to fulfil the adaptation-assisting duties ascribed to them by individual actors.

Proposition 3a. The wider is the gap between the ingrained individuals' expectations and changes observed in the rapidly evolving areas of their environment, the more positively the individuals will assess the adapting performance of social institutions in these areas and the more negatively evaluate their failure in assisting the individuals' adaptation needs.

Proposition 3b. The wider is the gap between expectations and external changes, the greater will be the likelihood that the positive (negative) assessment of the institutions' adapting performance in relation to this gap will lead to an increase in institutional trust (distrust).

In contrast with the above factors amplifying the need for the individuals' adaptation to the changing reality, two characteristics of the external environment are likely to hamper the attempts to enhance the adaptive fit between the individuals and the outer world. The first characteristic refers to uncertainty associated with the changing environment (Packard *et al.*, 2017; Townsend *et al.*, 2018). A high level of uncertainty will adversely affect the adaptation processes, because the individual actors who are not informed about the entire set of future states and their defining characteristics will experience difficulties in choosing the optimal ways to improve their adaptive fit to new social reality (Lascaux, 2008). In these circumstances, the adapting function of institutions is likely to be hindered, predictably leading to growing disappointment and distrust among the individuals affected by these negative developments.

Proposition 4. The greater the level of uncertainty in the external environment, the more difficult it is for institutions to perform their adapting function with regard to the individuals' normative expectations, cognitive judgments, and behavioral patterns, and the more likely the ensuing maladaptation will raise the level of institutional distrust.

The second aspect that may serve to encumber the individuals' adaptation to changing environmental conditions is complexity (Ramus *et al.*, 2017; Waeger and Weber, 2019). Complexity is analytically distinct from uncertainty: whereas the concept of uncertainty refers to the lack of knowledge about future events, complexity relates to the density of structural linkages and interactions within the system, which complicates judgment and decision making due to the limited cognitive and computational abilities of individual actors (Hodgson, 1997). Complexity of the external environment sets the boundaries for the effective adaptation of individuals to the evolving contexts, because individual actors may not recognize a number of important connections between the elements of their external settings, thereby rendering their adaptation efforts suboptimal.

Proposition 5. The greater the level of complexity in the external environment, the more difficult it is for institutions to perform their adapting function with regard to the individuals' normative expectations, cognitive judgments, and behavioral patterns, and the more likely the ensuing maladaptation will raise the level of institutional distrust.

6. The co-evolutionary dynamics of individuals, institutions, and the external environment

According to the framework introduced in this paper, social institutions represent a distinct and separate part of the individuals' external environment, playing a relatively autonomous role, which consists in mediating the relationships between individual actors and their external milieu. At the same time, following Ostrom (2000, 2010), this study posits that institutional arrangements are embedded in and influenced by broader socio-ecological and cultural contexts. Through performing their

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adapting function, institutions help individual actors to reduce the gap between their ingrained cognitive, normative, and behavioral models and the constantly evolving, complex reality that requires an adaptive transformation of the individuals' beliefs, predilections, and practical actions. Institutions affect these transformational processes by instilling new habits of cognitive evaluation, moral reflection, and practical behavior, which individuals are supposed to acquire in order to adapt to important changes in their external environment.

By affecting and transforming the substance of the individuals' cognitive, normative, and behavioral habits, institutions set off the mechanism of *reconstitutive downward causation* (Hodgson, 2006, 2007). This term combines the ideas of the downward, non-deterministic influence of institutions on individual actors with the modifying (reconstitutive) impact of institutional forces on the individuals' habitual modes of thought and action. The operation of this mechanism can be described as a sequential process consisting of three phases: *alteration*, *repetition*, and *retention*. Alteration represents the individuals' attempts to employ new mental models, ways of moral reasoning, and behavioral rules, which differ from their traditional patterns of thinking, feeling, and acting, with an aim to adapt to the altering demands of the external environment. Repetition allows individuals to more actively practice those forms of thought and action that are deemed more appropriate and better suited to the changing environmental conditions. Eventually, repetition may lead to the retention of new habits, which involves the steady reproduction of the revised individual attitudes, beliefs, and behaviors that demonstrate their adaptive advantage in the changed circumstances.

Although the alteration-repetition-retention triad may resemble the basic principles of Darwinian evolution that involve variation, selection, and inheritance (or replication) (Hodgson and Knudsen, 2010), the two frameworks contain significant differences. First, the model presented in this paper concerns the adaptive transformation of individuals' habits and does not describe the inheritance of acquired habits across successive generations of individual actors. Second, the present framework focuses on individuals, not populations of individual actors to which evolutionary concepts apply. Third, the current approach does not make any assumptions about 'the survival of the fittest' habits. It is based on a more modest proposition that the new habits are systematically preferred over the old ones insofar as they increase the adaptive fit between the individual and the environment.

However important, the mechanism of downward reconstitutive causation does not draw a complete picture of the processes associated with the individuals' adaptation to the altering external conditions. A more comprehensive version of the co-evolutionary dynamics involving major changes in the characteristics of individuals, institutions, and the general external environment implies the existence of a three-stage process, which is depicted in Figure 1. Stage 0 indicates the growing gap between the individuals' ingrained cognitive, normative, and behavioral models (the dotted line A0–A1) and the changing patterns and processes observed in their environment (the solid line C0–C1). At this stage, social institutions (denoted by a wavy line) do not yet assist individual actors to adapt to major shifts in their external settings. Following this, Stage 1 points to the operation of the mechanism of downward reconstitutive causation, through which social institutions help individuals to adapt their habits of thought and action to the important changes that continue to accumulate in the external milieu. These transformational processes are illustrated as the parallel lines, which represent the uniform patterns of development of individuals (A1–A2), institutions (B1–B2), and the general external environment (C1–C2).

The adaptation path, however, does not end at Stage 1, because of the inertia of changes, which characterizes not only the processes observed in the external settings, but also the transformation of the individuals' cognitive dispositions, moral values, and behavioral patterns. As the individuals' habits of mind and action continue to evolve in line with the previously detected shifts in the external environment, these developments start having a reverse effect on institutions, driving change in the rules and norms governing their interactions with the individual actors. This effect can be termed *upward reconstitutive causation* (Hodgson, 2007), because it relates to changes in the institutional structures and processes, which are initiated to better accommodate the individuals' altering needs and preferences. An exploration of the features and pathways of this institutional change remains

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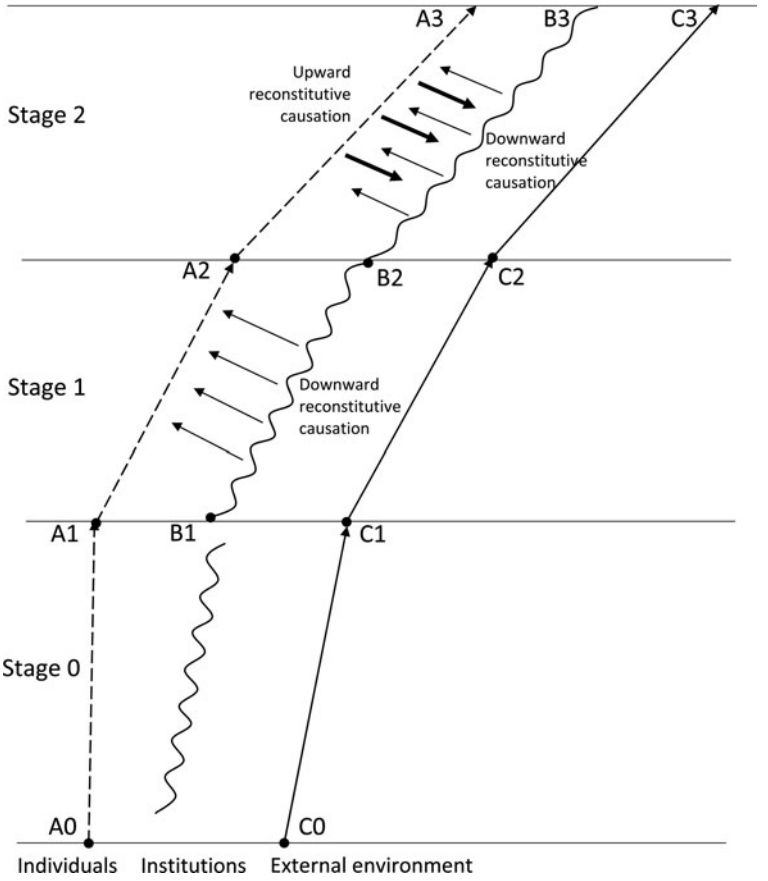

Figure 1. The co-evolution of individuals, institutions, and the broader external environment.

beyond the scope of this paper. Suffice to say in this context that such a change makes it possible to arrange a concerted co-evolutionary development of the individuals, institutions, and the broader external environment. Stage 2 exhibits the parallel trajectories, which represent the uniform dynamics of the individual actors (A2–A3), institutions (B2–B3), and the external environment (C2–C3) supported by the simultaneous operation of the mechanisms of upward and downward reconstitutive causation. Importantly, upward reconstitutive causation at Stage 2 is premised on the successful outcomes of the process of downward reconstitutive causation that takes place at Stage 1.

7. Conclusion

This paper seeks to contribute to the development of the theory of social institutions in three important ways. First, it introduces a new dynamically oriented institutional function, which consists in helping individuals to adapt their beliefs, norms, and behavioral routines to the changing context of their environment. It also links the perceived quality of carrying out this adapting function to the dynamics of individuals' trust in social institutions. Second, the current paper elucidates the three major adapting roles of social institutions, which correspond to cognitive, normative, and behavioral adaptation, and examines the main mechanisms through which institutions can intensify the adaptation processes. Third, this paper analyzes key enablers and impediments to successful adaptation supported by social institutions.

As any other theoretical construct, the concept of the adapting function of institutions clearly has limits in terms of its applicability across various environmental settings. For example, it does not

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account for the interpersonal differences in cognitive, normative, or behavioral frameworks, which may affect how institutions exercise their adapting function under conditions of competing individual or group interests. It is possible, for instance, that in hierarchical organizations, actors with greater power and influence will use social institutions to prioritize their adaptation needs and gain an adaptation advantage over less privileged organizational members, insofar as the former are able to control the dominant cognitive and normative frames that determine the pace and direction of adaptation processes in organizations. In a similar way, in cooperative interorganizational relationships, a stronger partner can use social institutions to better and more efficiently adapt its behavioral practices to changing environmental conditions, thereby gaining adaptation benefits at the expense of a weaker partner in a collaborative project.

At the same time, the limitations of a new concept can offer some fruitful avenues for future research. For instance, as supposed above, three conditions, which include the salience of new environmental challenges, the urgency of responding to them, and the magnitude of the gap between individuals' current attitudes and changing requirements of their external settings, heighten the role played by social institutions in successfully adapting individuals to new realities. These assumptions, which establish the correspondence between the different types of environmental changes and the intensity of adaptation processes, can be tested in future empirical studies. Such studies can use survey methods that measure the perceived characteristics of the external environment and individuals' assessment of how well institutions perform their adapting function in these environmental settings.

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