THESIS SUMMARY

to the PhD dissertation of

Gábor Tamás Molnár

titled

The institutionalization of professional communities: Insights from studies of professionals in Hungary

Supervisor:

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associate professor

Budapest, 2022
Department of Public Policy and Management

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The work summarized here is a portfolio dissertation consisting of five peer-reviewed articles (Chapters 2-6). The first chapter of the dissertation introduces the questions and approaches, situating them in an overarching research program. The final (7th) chapter summarizes the main results of the studies before drawing conclusions from the research program’s perspective. This summary follows a similar structure, beginning with the overarching research program, then introducing each chapter’s contributions, before summarizing the main conclusions of the dissertation.

1. Research background and justification of the topic

Motivation and relevance

The idea for this research project came from the widespread observation that professionals tend to organize their economic and political activities jointly, not only through private economic organizations (such as firms) but through forming professional communities. Although membership in these communities is costly, a significant part of professionals takes steps to create and maintain them. I wanted to better understand what was the rationale behind these decisions to institutionalize professional communities.

The collective action of professionals is a classical topic of public choice studies, as these institutions are typical elements of interest representation and lobbying, connecting private actors to governments (Olson, 1971). The internal governance of these communities is also a fruitful topic for political science scholars (Ostrom, 2010). The study of professional communities is also relevant to scholars of public policy and governance, as they provide institutional solutions to governance problems.

Despite their importance, our scientific knowledge of these institutions is somewhat lacking and mostly fragmented. In political science, the theories of
collective action and governance both build upon the existence of organised interest groups but have very little to say about the way potential groups become institutionalised, coherent communities, or about their motivations in doing so. This also leads theories of governance to often neglect the elements of professional communities which are not related to policy making.

The practical relevance of the topic comes from the widespread nature of professional community institutions. A more accurate evaluation of these institutions from the perspective of economic development might form the basis of supporting or opposing their development for both economic actors and policymakers. My research also aims to explore the institutional and contextual factors which contribute to the successful institutionalisation of professional communities. These results could be useful for both potential and existing professional communities as well as policymakers looking to design or facilitate governance solutions involving these communities.

The goals of my research

There are three layers to this puzzle with three corresponding questions. The first concerns (i) what these professional community institutions contribute to their communities that make them willing to spend resources on their maintenance. Second, to truly understand what professional communities contribute to our societies, we also need to look beyond the what question and turn to (ii) how they are able to contribute in possibly beneficial or detrimental ways. Third, we need to understand (iii) how these institutions develop to achieve the above.

(i) Different strands of scholarship have distinctly different views of the functionality of professional community institutions. Scholars working in the traditions of public choice see these communities as vehicles of redistributive rent-seeking. New institutional economists approach them as an additional level of transaction enabling institutions, complementing the private and public orders. Organizational studies and governance scholarship often sees professional
community institutions as community-level providers of shared informational and interest representative services.

We know from empirical studies that professional communities can institutionalize in various ways to contribute to various social and economic goals but studying when and how they do so require us to dig deeper. This dissertation is a collection of studies that aim to develop existing theories in a way that enables us to better account for some key institutional issues surrounding professional communities. The first overarching ambition of my research is to move beyond descriptive accounts of what professional communities do, building explanatory theories of when and how they might contribute to governance.

(ii) Approaching the second overarching question of How do professional community institutions contribute? requires us to build upon the theories on specific roles, situating professional community institutions in structures of governance. The main ambition of the dissertation connected to this question is theory-building about a fundamental role of professional community institutions, that is enabling transactions.

(iii) The third overarching question concerns How do professional community institutions develop?. This piece of the puzzle also has a rather fragmented scientific literature. Institutional economics and political science both rely on the theory of collective action as a point of departure, complemented by the exchange-based theories of institutional logics, transaction cost theory, and population ecology of organizations.

We have a few competing propositions on when each theoretical perspective would be more relevant in explaining institutionalization and a lot of empirical evidence on some typical institutions of professional communities. This dissertation intends to clarify a few elements of this fragmented field, and to
suggest ways in which some theories could be elaborated on the way toward a potential synthesis.

Theoretical and empirical approaches

Most political science and economics scholarship on the institutionalization of professional communities focuses on samples of individual formal organisations, mainly professional associations. This focus on formal institutions for data availability purposes is reasonable, and most of the studies in this dissertation (except for Chapter Hiba! A hivatkozási forrás nem található.) also begin with it. However, all empirical chapters (Hiba! A hivatkozási forrás nem található.-Hiba! A hivatkozási forrás nem található.) attempt to demonstrate the applicability of approaches where the broader institutional context of associations is also included in the analysis, to develop a more nuanced and comprehensive understanding of professional community institutionalization. Chapter Hiba! A hivatkozási forrás nem található. offers a complete cross-section of governance structures for a single role of communities. Chapter Hiba! A hivatkozási forrás nem található. analysed the institutionalization dynamics of a community at three connected layers of membership, associations, and systems of associations. Chapter Hiba! A hivatkozási forrás nem található. shifts the focus completely from formal institutions to the dynamics of the underlying professional community. While the external validity of our conclusions is accordingly limited, the main intention was to develop and demonstrate the applicability of partially novel approaches.

2. Research questions, ambitions & methodology

Chapter 2: A critical review of the roles of business associations

Inspired by the contradictory empirical results on the functionality of professional community institutions, Chapter 2 serves to set the stage for later
chapters by providing a traditional literature review of our knowledge of business associations. It asks three questions: (1) *What are the economic roles of BAs?* (2) *How are BAs institutionalized?* (3) *What drives BAs to engage in socially beneficial or harmful activities?*.

Its main ambitions are to provide structure to our knowledge of the functionality puzzle based on new institutional economics and to test which theories of professional community institutionalization seem to hold up in the face of growing empirical evidence. It also contributes to theory-building, by analytically separating economic roles, associational functions, and the normative question of economic efficiency.

**Chapter 3: Testing the transaction supporting role of business associations**

Chapter 3 is a joint quantitative effort together with Károly Mike and István Boza, seeking to test hypotheses on whether specific groups of professional community institutions – in our case business associations – fulfil a transaction supporting role. It asks the questions (1) *Do members of BAs perceive them as effective in increasing the credibility of their members?*; (2) *Do members of BAs trust in the contractual commitments of their business partners more compared to non-members?*; and (3) *Are members of BAs better able to engage with business partners from outside their personal and local networks?*.

The study utilizes detailed member-level survey data to provide novel quantitative results on what a central group of professional community institutions, business associations provide to their members. The study relies on a representative survey of Hungarian SMEs, utilizing multiple regression methods with members as units of observation. The rarely found micro-level approach allows for the statistical control of various alternative factors explaining transactional strategies and their success.
Chapter 4: A case study of the transaction supporting role of a professional community

Chapter Hiba! A hivatkozási forrás nem található. adopts a qualitative, single-case approach, which enables it to dig deep into the puzzle of how professional communities are institutionalized for a single role, that of enabling market transactions. It asks the questions (1) What transaction-enabling roles do associations fulfil within a professional community? and (2) What factors influence whether an association plays a role in the transactional relationship between two businesses? The corresponding research ambition was explanatory and hypothesis-generating.

The study situated business associations in the complex governance structures of transactions on which professionals rely in supporting their relationships. The novelty of its approach was to study how different institutions interact in the governance structures of contracts. Based on document analysis and nineteen semi-structured interviews, it studied not just how professional community institutions could contribute, but also whether and how they do it from the stakeholders’ perspective.

Chapter 5: A case study of the institutional dynamics of a professional community

Chapter Hiba! A hivatkozási forrás nem található. zooms in on the factors influencing the development paths and relations between associations, looking to clarify alternative theories and their relationships. It asks the questions (1) What factors explain the different patterns of institutionalization of professional associations within a professional community? and (2) What factors explain the patterns of cooperation between professional associations within a professional community?, seeking to address which elements of professional community institutionalization are explained by exchange-based theories and which by intellectual debate-based theories.
The chapter had descriptive and explanatory theory-building ambitions, for which a complementary theories congruence analysis approach was selected, with the single case of the Hungarian logistics community. Besides providing a first scientific account of the complex associational system of the case, it used document analysis and fifteen semi-structured stakeholder interviews to uncover the dynamics of institutionalization.

Chapter 6: Approaching the identity construction of a professional community through membership and performance

Chapter Hiba! A hivatkozási forrás nem található. is a joint effort with Gabriella Ilonszki in connecting the research on political science as a scientific field to the study of professional communities. It adopts a slightly different approach from the previous case studies, as it tackles the questions of (1) How did the political science community expand during the last three decades? and (2) How did the publication performance of the professional community evolve over the last three decades?

The chapter starts from a population ecology perspective to study Hungarian political scientists based on data on individuals and publications, demonstrating that identity-building – and the related institutionalization – of a professional community can be fruitfully approached from below. Beyond testing descriptive expectations, a major methodological and empirical accomplishment of Chapter Hiba! A hivatkozási forrás nem található. was the operationalization of the different groups of professional community members and stakeholders based on professional background, formal organizational position, and performance.

Case selection rationale

My research ambitions coincided with two European Union research projects, which provided the impetus and resources for most of this endeavour: COST Action CA15207 on the Professionalization and Social Impact of European
Political Science, and EFOP-3.6.1-16-2016-00013 on ’Institutional developments for intelligent specialization at the Székesfehérvár Campus of Corvinus University of Budapest’. Both projects required data collection on Hungarian professional communities.

We selected cases from among national professional communities and their members in Hungary from 1990 to 2018. Since most studies in the literature on professional community institutionalization have focused either on highly developed (mostly Anglo-Saxon) countries or post-soviet contexts, studying Hungarian communities addresses an empirical research gap.

The quantitative approach of Chapter 3 required a large, representative sample, which was provided by a survey of Hungarian SMEs from 2016, while the case studies in Chapters 4-6 analysed three Hungarian professional communities: seed producers, logistics professionals, and political scientists. The selection of these communities applied four main criteria: data availability, the existence of formal community institutions, the presence of (and partial success in responding to) major challenges to the community, and the differences in their institutional configurations. To sum up, we selected diverse cases from comparable Hungarian professional communities, where the phenomena of interest could be observed.

3. Summary of findings

Chapter 2

1. Since all of the proposed economic roles of BAs can involve activities linked to the private order and the public order, and all of the economic roles can contribute to both value-creating and redistributive rent-seeking, the widespread approach in the literature which distinguishes between the beneficial, market-supporting, and the harmful, rent-seeking roles of associations is not justified.
2. As beneficial contributions from each of the economic roles of BAs are possible at each of their levels of institutionalization, Doner & Schneider's (2000) proposition that a certain level of institutional strength is needed for a business association to be able to fulfil beneficial, “market-supporting” economic roles is not supported by the evidence.

3. The socially beneficial or harmful rent-seeking orientation of BA activities is explained by the institutional incentives created by private-order (market pressures, organizational competition, and internal governance) and public-order (political accountability, monitoring) actors.

Chapter 3

1. The majority of BAs in our sample institutionalize transaction supporting functions such as moral and professional selection and control of members, business dispute resolution, and information sharing.

2. Business associations are important elements of the institutional framework behind contractual relationships. Several functions of BAs contribute to perceived internal and external trust in business partners.

3. Our results do not support the view, at least in this context, that business associations in general increase credible commitment among business partners. However, BAs with functions relevant to contract enforcement seem to enable a firm to reduce the threat of opportunism with any business partner.

4. BA membership does not facilitate the creation of new partnerships with previously unknown or geographically distant partners but might facilitate building trust in them once the relationship is established.

Chapter 4

1. There is a trade-off between relying on professional community institutions and relying on long-term relational contracting (or integration) for the governance of contractual relations.
2. There is a trade-off between relying on professional community institutions and relying on market reputational mechanisms for the governance of contractual relations.

3. Reliance on market intermediaries can both complement and substitute for reliance on professional community institutions for the governance of contractual relations.

4. The scope and type of government involvement in the governance of contractual relations determine the role of professional community institutions, as it both enables them and relies on them throughout the policy process.

Chapter 5

1. The theory linking the logic of membership to lower layers and the logic of influence to higher layers of institutionalization has found partial support. However, the logic of influence is more significant than theoretically expected in lower institutional layers and early on in the institutionalisation process.

2. In the later stages of associational development competition for members along the logic of membership and the logic of influence have both pushed them towards expanding their functional and membership domains. Contrary to our theoretical expectations, differentiation did not increase as the community evolved, as associations became more similar instead.

3. At the layer of associational integration, the logic of influence dominated as expected, but did not result in ever more extensive coordination. The uncertain and unstable institutionalization of the profession within the government was reflected by the institutionalization within the community.

4. The remaining patterns of differentiation were largely explained by differences in the institutionalization of intellectual debate, which proved to be more persistent than functional and membership profiles. The construction of a professional community’s identity and its institutionalisation are parallel, linked processes.
Chapter 6

1. In terms of membership, the identity of political science has become more compact. Overall, it seems that while there is an identifiable and increasingly clear professional community of Hungarian political scientists, the discipline is still open to contributions from outside.

2. The increased international component of academic output provides international visibility for the profession, and the increasing share of quality publications clearly adds to its status, and possibly its acknowledged institutional position.

3. However, publication performance and international recognition are very unevenly shared among members of the profession, which could also reflect uneven access to resources as well as a lack of internal connections within the community. Its integration into European political science is through the connections and activities of a small group of high-performing professionals in central institutions.

4. To better understand developments in newcomer professional communities, we need a combination of the performance- and personnel-centred, and institutional perspectives, which would allow the study of the relations between professional institutionalisation and the development of underlying professional networks.

4. Conclusions & contributions

i) What do professional communities contribute?

a) The critical review of the literature in Chapter Hiba! A hivatkozási forrás nem található. found that simple answers to the question of what professional communities provide are likely to be contradictory or wrong. That is why our subsequent empirical analysis focused on one role at a time, assessing the evidence of its existence and mechanisms instead of trying to compare multiple roles.
b) Professional community institutions are important elements of the framework of governance in Hungary. Their transaction-enabling roles seem to be consistently relevant complements to more widespread private- and public-order institutions.

c) There are important differences between different kinds of associations regarding their effects on members, conditional on what functions and mechanisms they can institutionalize.

ii) How do professional community institutions fulfil their roles?

a) Professional community institutions are important, but often non-central elements of governance for SMEs and professionals in the seed industry and logistics communities. Although many of their functions have marketized private substitutes, their information sharing and professional control elements are significant in governance.

b) Both informal networks (along with their norms) and formalized private-order solutions (organizational hierarchies and relational contracts) matter as institutional alternatives to community-level institutionalization.

c) Professional community institutions can also enable private-order alternatives, contributing indirectly to successful governance, even if they lack strong formal sanctions.

iii) How do professional community institutions develop?

a) We cannot explain the institutionalization of professional communities without including public sector elements in our analyses. There seems to be a mutual reliance between private and public-order mechanisms, where the two kinds of institutions co-evolve. Public sector organizations often rely on the voluntary collective action of professionals to design and implement more effective policies. In doing so, they provide incentives (through conditional resources and access) and constraints (through regulatory decisions) for the
development of professional communities. Policymakers and governmental actors can be part of the professional community, which happened in both the seed industry and logistics cases. These intensive two-way relations are key to understanding professional community institutionalization, possibly trumping Olsonian bottom-up considerations of collective action such as group size and heterogeneity.

b) To understand the institutionalization and social roles of professional communities, we need to analytically distinguish and connect their instrumental and intellectual sides. Who participates and how in the underlying professional debates is determined by the communities’ institutions, which are in turn influenced by intellectual developments and differences. Two main dimensions of intellectual differences with major institutional consequences were identified.

c) There can be various conceptualizations of a professional community’s identity with their corresponding claims to representation. Which individuals and organizations constitute the seed industry, logistics, or political science community is not objectively defined, and different members have different groups in mind whom they are willing to consider parts of the same community. While these identities tend to strongly overlap, their differences can be important constraints and drivers of institutional differentiation and integration. The case studies point to internationalization as one of the key identity aspects, as professional networks and organizations are increasingly international.

d) The second key intellectual difference concerns the rules of consultation, which define acceptable arguments and their articulation within the community. The main division here is between a more gradual, scientific approach toward professionally optimal solutions, and a more pragmatic, streamlined interest-reconciliation approach. Differences in these institutions and how they align with policymaking processes can be important factors for a professional communities’ success in interest representation and internal institutionalization.
e) Chapter **Hiba! A hivatkozási forrás nem található.** provided empirical and methodological contributions to the study of institutionalization. It is the first step in a research program that intends to extend the quantitative, data-driven approach of the population ecology strand of literature to the layer of professional community members. It demonstrates that meaningful conclusions can be drawn regarding the identity and dynamics of a community from this approach, which offers multiple potential benefits for future scholarship. Going beyond the formal organizational layer in data collection and analysis allows for the study of changes in the membership and the internal structures of cooperation that might not be reflected by formal organizational membership. These linkages may be used to analyse professional networks, which could then be connected to the study of institutions, allowing us to better understand how professional community institutions contribute to the performance of community members (question ii.), and how informal structures and formal institutions co-evolve (question iii.).

5. **Main references**


6. List of own (or co-authored) publications related to the topic

Journal articles


Book chapters
