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Contemporary Challenges in the Study of Organizations

Arthur G. Bedeian
Louisiana State University

Much is known about organizations; much remains to be discovered. Acknowledging that a paradigm for guiding the study of organizations has yet to be developed, the present article suggests various areas which might be usefully investigated to improve our understanding of organizations. Taking an eclectic approach, four areas of research interest are discussed: organizational effectiveness, organization-environment interactions, organizational learning, and organizational growth and decline. Research prospects in each area are introduced and reviewed.

As an applied science, the study of organizations is an emerging discipline, a field of research still in its scientific infancy. Thirty-five to 40 years ago, studying organizations was little more than a peripheral interest of a few economists and social anthropologists. Self-designated "organization theorists" have emerged only in the last two decades (Bedeian, 1984).

Over this time period, organizations have been studied from many perspectives. Viewed historically, the theoretical models underlying and guiding the study of organizations have gradually changed (for a review, see Scott, 1977; Scott & Black, 1985). Analyses in the 1940s and 1950s were concerned largely with processes internal to organizations. Organizations were treated primarily as contexts affecting individual behavior. Structural variables, such as span of control and number of hierarchical levels, were analyzed as independent variables affecting individual outcomes, including job satisfaction, turnover, and performance (e.g., Worthy, 1950).

In the 1960s and 1970s, a transition took place as a growing interest in understanding organizational structure resulted in numerous efforts to collect compar-

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Address all correspondence to Arthur G. Bedeian, Department of Management, Louisiana State University, Baton Rouge, LA 70803-6312.

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ative data on multiple organizations. The work of Woodward (1965) and Lawrence and Lorsch (1967) was notably influential. By contrast with earlier analyses, these efforts treated organizations, not their individual participants, as the focal unit of analysis. The organizations studied were considered independent entities, allowing the testing of competing hypotheses about the determinants of their structural characteristics. Of particular interest were connections among organizations and their environments.

Building on systems models which first appeared in the 1950s, contemporary studies mostly view organizations as subsystems of larger systems with their own structures and processes (Scott, 1985). A paradigm for guiding the study of organizations has not yet been developed. Consequently, investigations in the field consider a merry-go-round of topics. Indeed, organizational research themes seem to change not so much because issues are resolved and phenomena understood, but rather because investigators run out of steam and turn to newer, more exciting subjects. Thus, current work in the field largely centers on a few "hot" areas, some theoretical points of view, and a wide variety of unrelated topics (cf. Pervin, 1985).

Enough progress has been made, however, to offer some indication of the more critical variables and to suggest various areas which might be usefully investigated to improve our understanding of successful organizations. Clearly, the field's major concern is to understand the structure and functioning of organizations. Although numerous variables are of significance in developing this understanding, an enhanced knowledge of (a) organizational effectiveness, (b) organization-environment interactions, (c) organizational learning, and (d) organizational growth and decline seems especially critical for advancing the field in general and rational organizational design in particular. Therefore, the present article considers these four research areas. Each is especially rich in prospects for further research and important to both theorists and practitioners alike.

Organizational Effectiveness

Although effectiveness is a central theme in the study of organizations, it remains one of the most frequently cited yet least understood concepts in organization theory. At present, the analysis of organizational effectiveness remains fragmentary, scattered, and theoretically unintegrated, because of divergent definitions of effectiveness, identification of different sets of explanatory variables, and diverse schemes for measuring effectiveness.

Initial attempts to study and measure organizational effectiveness generally followed a "goal approach" (cf. Barnard, 1938, p. 19). This perspective viewed organizations as principally concerned with the attainment of certain end products or goals, such as productivity, net profits, and growth. It thus defined effectiveness as the meeting or surpassing of organizational goals.

A widely accepted alternative to the goal approach is the system resource model, which views organizations as social systems operating in environments of scarce resources (Yuchtman & Seashore, 1967). It defines effectiveness as the degree to which an organization is successful in acquiring scarce and valued re-

sources. Thus, in contrast with the goal approach, inputs replace outputs as the primary consideration.

More recently, a third view of organizational effectiveness has emerged (Connally, Conlon, & Deutsch, 1980). Known as the multiple constituency approach, it defines effectiveness as the extent to which an organization satisfies its strategic constituents (or stakeholders). This perspective avoids the problems of specifying and assessing organizational goals inherent in the goal model, as well as the problems of identifying and assessing optimal resource acquisition as required by the system resource model. As will be noted, however, the multiple constituency approach is not without comparable difficulties.

Irrespective of approach, problems of measurement have severely hampered the development of an accepted methodology for assessing an organization's overall effectiveness.

Constituent Perspectives

As popularly portrayed, the primary constituents (stakeholders) in a typical organization's environment are customers, governments (local, state, and federal), owners, employees, suppliers, competitors, and society in general (see, e.g., Bedeian, 1986). This portrayal, however, begs a variety of underlying value-based issues seldom explored in the analysis of organizational effectiveness. Principal among these is the realization that selecting specific constituents to participate in assessing an organization's effectiveness involves a value judgment (Mark & Shotland, 1985). Except in cases where there is a limited constituent set or a rare consensus exists among constituents about what is important, practical constraints will prohibit an organization from responding to all concerns that might be of interest to every constituent. This dilemma will be further complicated if constituents are unable to specify their assessments of an organization's effectiveness or if the multiple information demands of various constituents exceed the assessment capacities of an evaluation.

In addition, a major technical problem in the measurement of organizational effectiveness invariably arises because of different constituent perspectives. Research has repeatedly found that perceptions of an organization's effectiveness depend largely upon a constituent's frame of reference or perspective (Zammuto, 1984). The implications of this finding deserve further investigation on three counts:

1. Any and all effectiveness criteria that are proposed will doubtless be viewed in terms of self-interest by each of the constituents involved.
2. Despite claims to the contrary, no criterion will be viewed impartially. Assessments of effectiveness do not take place in a neutral vacuum. Each criterion will probably benefit some constituent(s) more than others.
3. Given the above considerations, in a situation in which resources are scarce, we would have every reason to expect divergence and conflict in the criteria proposed by different constituents for assessing organizational effectiveness. Both the divergence and the conflict merit investigation. They invariably emerge each fall in teachers' strikes, every three years in General Motors-United Auto Workers negotiations, and continually, it seems, in arms-control talks between the United

States and the Soviet Union. These issues are quite salient where organizations visibly and publicly affect various constituencies, but they are also equally relevant to multiconstituency phenomena operating within organizations. Such phenomena might include resource allocation or the establishing of organizational objectives.

Effectiveness Over Time

Another unresolved issue in measuring effectiveness is the assessment of organizational performance across time (Cameron & Whitten, 1984). Three concerns seem especially relevant. The first is that organizational performance does not customarily occur in standard increments uniformly distributed over time. Goals are time-dependent and effectiveness is cyclical. Typically, there are periods when an organization's effectiveness will increase and other periods when it will not. Thus, the specific period or era and the actual time frame—short run versus long run—used in assessing performance is important not only for judging an organization's effectiveness, but also for assuring comparability in assessments across organizations.

Real-world examples highlighting the danger of measuring effectiveness over the short run are abundant. Hewlett-Packard (HP), for instance, was one of the star companies identified four years ago in Peters and Waterman's (1982) *In Search of Excellence*. Judging from HP's current turmoil and product-development problems, it hardly looks like one of America's most effective companies. Although its earnings are still strong, HP has stumbled badly in the critical microcomputer and supercomputer markets. Similar problems have beset other Peters and Waterman "excellent" companies: Delta Airlines, Walt Disney Productions, Eastman Kodak, and Texas Instruments, among others. Yet, each of these companies has a long-term record of achievement over decades. The fallacy of taking short-run performance snapshots versus long-run measures of effectiveness is evident in these cases.

A second concern relevant to the measurement of effectiveness over time is the appropriateness of different effectiveness criteria during the life cycle of an organization. Without being unduly deterministic, we may say that organizations necessarily pass through different stages (birth, maturity, decline) during their life cycles. Criteria appropriate for one stage may be unsuitable for another, as organizational goals at each stage generally have a different focus. Consider, for example, the inappropriateness of applying the same effectiveness criteria to firms like Levi Strauss and Seagrams, both operating primarily in mature markets, and to firms like G. D. Searle and IBM, both operating primarily in growth markets. The main strategic decision faced by an enterprise in a growth market is how to improve performance. In enterprises operating in mature markets, increased growth is no longer possible. It naturally follows that the various effectiveness criteria for these contrasting sets of firms would be quite different. This concern would be even more complicated in instances of diversified firms with business units at different life-cycle stages operating in very different industries.

A third relevant measurement concern relates to the nature of constituent-based assessments of organizational effectiveness. As has been observed (e.g., Zam-

muto, 1982), an organization's constituents are likely to change over time. New constituencies will form and others dissipate as the salience of an organization's performance changes. This salience might vary if an organization changes its products and services, type of clientele, territory served, and so on. Moreover, the preferences of any continuing constituents are likely to evolve across time. Zammuto (1984) made the intriguing observation that an organization's attempts to satisfy constituent preferences at one point in time would probably change constituent expectations for an organization's future performance. Thus, in somewhat of a Catch-22, an organization's attempts to satisfy current constituent preferences may have the effect of modifying those preferences and thereby creating new preferences that the organization must consider in the future.

Level of Analysis

Evaluating effectiveness criteria for an organization as a whole neglects critical relationships between an organization and its various parts. Further, this approach assumes that assessing an organization's overall effectiveness is a substitute for assessing its components—an assumption that suffers from a fallacy of composition (Mossholder & Bedeian, 1983a, 1983b). The overall effectiveness (optimization) of a given organization does not preclude the ineffectiveness (suboptimization) of its constituent parts, or vice versa. The parts of an organization are interdependent, and even if each part is independently made to perform as effectively as possible, the organization as a whole may not perform as effectively as possible. For example, all-star athletic teams are not necessarily the best teams and may even be unable to beat an average team in their league (Gharajedaghi & Ackoff, 1984). Although each player performs individually at a maximum level of effectiveness, the team as a whole may fail to perform as effectively as possible. This same phenomenon as it relates to individual levels of analysis needs detailed investigation.

The level of analysis issue also raises additional questions. For example, is it possible that, based on varying technologies, objectives, or contingencies, different units of analysis may require different effectiveness criteria or different criteria weightings? Or, what impact do varying degrees of environmental uncertainty, complexity, and turbulence have on effectiveness as measured at the individual, group, and organizational levels? Between-level studies have been proposed before (see Mossholder & Bedeian, 1983a), but in doing these studies it must be clear why one would expect a relationship at one level of analysis to hold at another level of analysis. Our ability to measure organizational effectiveness would be immeasurably enhanced by the identification of processes that operate across levels. The relevant literature continues to lack clarity in this area.

Types of Organizations

Different kinds of organizations have different characteristics, goals, and constituencies, and therefore require different effectiveness criteria, as research has shown (e.g., Bozeman, 1982). The typical criteria for measuring the effectiveness of business, government, and religious organizations generally differ,

largely because of differing goal priorities. Churches are principally altruistic in orientation, government agencies emphasize political bases, and business firms strive for monetary success.

For example, the criterion of profitability may be relevant for business firms but not for voluntary associations or service organizations. Moreover, even apparently similar organizations (e.g., two nonprofit hospitals) may have entirely different priorities (e.g., research vs. teaching), resulting in contrasting goal structures. Studies establishing effectiveness criteria that accurately reflect such contrasting orientations have yet to be reported. Failure to consider contrasting goal structures may well render subsequent judgments erroneous.

Organization-Environment Interactions

Few theorists would question the importance of an organization's ability to adapt to changes in its external environment. As open systems, organizations are greatly influenced by the properties of their surroundings. In turn, all but the most docile organizations typically attempt to influence the environment in which they are situated. The importance of a complete understanding of the continual interaction between an organization and its external environment was elegantly emphasized by Eldridge and Crombie (1974), who stressed that

we should appreciate that neither the organization nor its environment may be fully understood apart from an understanding of the constant processes of interchange between them. The organization itself is no more than a crystallization of formerly scattered elements of the environment—a regrouping of energies, and its maintenance entails the more or less constant ingestion of further parts of the environment—men, materials, information—and its subsequent enrichment with new or transformed products. (pp. 72-73)

Although the impact of environmental factors on organizational functioning (and vice versa) has drawn the attention of researchers for the greater part of the last two decades, numerous questions still exist.

Managerial Perceptions and Strategic Choice

Although a considerable body of research suggests that an appropriate fit between an organization's structure and its external environment affects its operational effectiveness (Miles & Snow, 1978), the influence of managerial perceptions and strategic choice in this process is still unclear (Bourgeois, 1985). Three issues particularly deserving study include: (a) how subjective managerial perceptions and objective environmental attributes are reciprocally interdependent, (b) how environmental perceptions vary across perceivers, and (c) how perceptions interact with values and beliefs.

Regarding the first issue, studies dealing with the appropriate fit between an organization's structure and its external environment have traditionally adopted either of two perspectives (Hrebiniak & Joyce, 1985; Yasai-Ardekani, 1986). On the one hand, studies focusing on objective environments as determinants of

General Electric (which files more new patents every year than any other U.S. company) are each known for their innovative learning. Many organizations have likewise established traditions, sometimes embodied in anecdotes or legends, of how they learned through blind variations or even simple luck. At Procter & Gamble (P&G) the story is told of how a crutcher (a device to mix ingredients) was left on too long and inadvertently put air bubbles into an early product, accidentally producing a buoyant soap, Ivory. P&G was unaware of what it had until buyers started asking for more of "the soap that floats."

Individual/Organizational Learning

How individual and organizational learning relate is an additional area in need of increased appreciation. The concept of organizational learning raises the issue of reification, granting the concept of organization anthropomorphic (human) characteristics it does not possess. The question thus emerges as to whether it is possible for organizations to learn, except in a purely metaphorical or figurative sense. Obviously, organizations do not learn in the same way that individuals learn. However, as social systems, organizations are manifestations of their human participants and therefore subject to the same processes that characterize human existence (Aidif & Pate, 1982). Organizational learning is real, but how it relates to individual learning is unclear (cf. Jelinek, 1979).

Many organizations place considerable emphasis on formal training processes as one way of stimulating organizational learning. An estimated 8 million employees are being educated inside U.S. corporations. That number equals the population of the country's colleges and universities. Recognizing the importance of training to organizational learning, companies such as Walt Disney Productions, with its Disney University, and McDonald's, with its Hamburger University, invest heavily in training and education. Similarly, every IBM employee, regardless of seniority, spends an estimated 15 days a year in formal training. Bechtel Corporation goes so far as to intentionally take on small, uneconomic projects to provide new managers with learning experiences.

Some organizations also stimulate learning by conducting controlled experiments and studying the effects. This is done frequently with market research. Companies like Procter & Gamble, General Foods, and General Mills weed out approximately 50% of their pilot products through test marketing. Such firms have institutionalized experimentation as an organizational learning mode.

The notion of institutionalized experimentation suggests parallels between what Wildavsky (1972) has labeled *self-evaluating organizations* and what White (1973) has termed *dialectical organizations*. Both ideas are essentially similar to the more well-developed concept of *self-designing organizations* introduced by Hedberg, Nystrom, and Starbuck (1976). Self-designing organizations—organizations that continually appraise and revise their behaviors and that invent their futures as well as survive them—are structured to maintain long-term viability. The self-designing organization is perhaps best described as being unceasingly motivated to learn through the institutionalization of continued experimentation.

structures have disregarded the influences of managerial perceptions on organizational adaptations. On the other hand, studies emphasizing the role of managerial perceptions have ignored the influences of objective environments. Both assume one-way causality. Taking a lead from interactional psychology, however, it can be argued that objective environmental attributes and managerial actions continuously influence each other in a multidirectional interaction process that Pervin and Lewis (1978) have labeled *reciprocal action-transaction*. This idea incorporates the notion that people (managers) respond to situations (external environment) as well as create them.

Reciprocal action-transaction derives from two factors: (a) People not only react to situations but also create or enact them (Sumner, 1906); and (b) the resulting new situations in turn influence future behavior, which changes the situations again (Weiss & Adler, 1984). As observed by Terborg (1981), among others, the continuous reciprocal influence underlying the cognitive interpretation and reinterpretation of situations emphasizes the need to attend to both subjective and objective phenomena. Moreover, the dynamic aspect of this perspective suggests that time is a potentially important explanatory factor. Therefore, to move ahead in our understanding of structural adaptation, we need more longitudinal research. Given the continuous, multidirectional interaction between managerial actions and objective environmental attributes, data collected at any one time provide, at best, limited information. Recent developments in statistical analysis (e.g., LISREL) may help better examine such dynamic, interactive phenomena.

With respect to the issue of how environmental perceptions vary among perceivers, existing research shows, for instance, that managers in different functional subunits (e.g., sales, production, research and development) have different perceptions of environmental uncertainty (Lawrence & Lorsch, 1967). The extent to which such differences exist among managers within the same functional subunits is unknown. Likewise, the role of managerial characteristics in influencing organizational responses is largely unexplored. A much more thorough understanding is needed of how and why individual managers focus their attention on specific aspects of an environment to the exclusion of others, and of how they process the resulting information received. The limited information available suggests that such characteristics as age, functional track, career experiences, education, and socioeconomic background all influence managerial perceptions (Hambrick & Mason, 1984). This is, of course, consistent with research done in other fields.

Concerning the third issue, individual perceptions of the environment and organizational strengths and weaknesses are unquestionably influenced by personal values and beliefs. Consequently, some managers may perceive emerging environmental events as opportunities, whereas other managers may perceive the same events as threats. The contrast in beliefs and values reflected in the actions of managerial personalities like R.E. (Ted) Turner and Frank Borman, or in those of political figures like Ronald Reagan and Gary Hart, highlights the validity of this concern.

Minimizing Environmental Uncertainty

Research has established that organizations utilize a variety of strategies to deal with environmental uncertainty (for a review, see Bedeian, 1984). Nevertheless, little is known of how organizations perceive, select, and implement such responses as buffering, co-opting, and coalescing. Specifically, as Miles and Snow (1978) have noted,

it is not known why specific responses are employed by some organizations but not others. Furthermore, there is little research evidence pertaining to the impact of these responses on either the organization or the environment. Of particular interest would be data suggesting the relative contribution of different forms of adjustment to organizational effectiveness. (p. 256)

Looking at coalescing as an example, the past two years have seen mergers between Gulf Oil and Standard Oil of California (\$13.4 billion), Getty Oil and Texaco (\$10.1 billion), and Conoco and Du Pont (\$8 billion). Why these organizations selected merging as opposed to joint venturing, for example, is unclear. Whether different forms of adjustment would have contributed more substantially to their effectiveness is unknown. Indeed, the general effect of mergers on organizational effectiveness is itself subject to debate, with some practitioners suggesting that most are unsuccessful (Prokesch & Powell, 1985).

Threats and Opportunities Over Time

Although we realize that organizational environments are continually evolving, we know surprisingly little about how organizations modify themselves in response to environmental threats and opportunities over time. Longitudinal assessments of organization-environment interactions are needed in order to identify trends and examine how changes in organizational and environmental conditions affect performance. Moreover, environment has been generally viewed as the cause (independent variable) of perceived uncertainty. As a result, the possibility of treating particular environmental elements as dependent variables susceptible to organizational alteration has been largely overlooked. Numerous organizations have chosen to alter rather than to attempt to continue coping with their external environment.

An example of organizations that have altered their external environment by diversifying is Campbell Soup, which has diversified its product line to include Swanson's frozen dinners, Prego spaghetti sauce, Vlasic pickles and relish, Pepperidge Farm bakery goods, Godiva chocolates, V-8 cocktail juice, Mrs. Paul's frozen fish, and Franco-American canned pasta. And General Mills, associated with Cheerios, Gold Medal flour, and Betty Crocker cake mixes for decades, has diversified into sportswear (Izod, Ltd.), restaurants (Red Lobster), and toys (Parker Brothers).

Organizations that have altered their external environment by vertically integrating include Holiday Inns, which integrated backward when it created a supplies division and began producing furniture and distributing items like cleaning

supplies and food to its inns. Similarly, Firestone Tire & Rubber integrated forward when it opened retail tire and service centers.

These examples underscore the strong link between organization theory and business strategy (M. Jelinek, personal communication, October 18, 1985). In a commercial setting, the selection of a strategic arena ("What is our business and what should it be?") is the primordial question. The related question, "How shall we compete in our business?" may be equally important—and, at least on occasion, quite subject to an organization's impact on its external environment.

Organizational Learning

To grow and develop, organizations must maintain an understanding of the discontinuities inherent in their supporting environment. They must develop processes for learning to cope with environmental changes. With the constant shifting of the larger environment, and the inevitable accompanying complexity and instability, a high capacity for learning is a crucial requirement for the successful functioning of an organization. We must expand our understanding in this important area.

Better Models

The literature on organizational learning is in an early stage of development. Although growing, the number of empirical studies dealing with organizational learning is quite small. Consequently, there is virtually no consensus as to what and how organizations learn. Organizations appear to learn (a) by borrowing from other organizations, (b) by introducing incremental changes in existing practices based on feedback from their environment, (c) through original innovations, and (d) through blind variations. How these different forms of learning occur is a poorly researched area.

Borrowing from other organizations is one form of organizational learning. Manufacturers such as automobile and computer companies have for years routinely examined in detail their competitors' products as they appear in the marketplace. Commonly known as *reverse engineering*, this form of learning has long been used by Japanese manufacturers to duplicate and improve products first introduced in the West, and by the Soviet Union as a method of acquiring Western technology (Eells & Nehemkis, 1984).

Paul Light's *The President's Agenda* (1982) provided an interesting commentary on a second form of organizational learning: introducing incremental changes in existing practices based on feedback from the environment. Light has documented how the President and his staff quickly adapt to issues and alternatives—they learn, based on feedback from their environment, what will and what will not work in moving programs through Congress. This learning contributes to the cycle of increasing effectiveness as each administration learns which policy areas offer the greatest political promise, or, as a Carter legislative aide put it, "what will wash."

Finally, organizations also learn through original innovations and blind variations. AT&T's Bell Labs (with its seven Nobel laureates and 20,000 patents) and

Learning Triggers

A manifest understanding of what triggers or activates an organization's learning system has yet to be completely developed. The relevant literature (Hedberg, 1981) suggests the existence of at least three primary ways in which organizational learning is triggered: by problems, by opportunities, and by people. There are undoubtedly other triggers that have yet to be identified.

Examples of problems triggering learning are fairly commonplace. A&P, which is finally turning around after a decade that saw its 3,500-store empire shrink to only 1,000 stores, has seemingly learned from its problems. A prime example of opportunities triggering learning would be 3M, which introduces over 100 new-product offerings (e.g., Post-Its, Scotch-Gard, and Magic Tape) every year. Classic examples of people triggering learning include the franchisee in Pittsburgh who invented the Big Mac and the one in California who invented the Egg McMuffin. In each case, whether triggered by problems, opportunities, or people, the exact process of organizational learning remains a mystery.

Learning Capacity

A primary task of management is the creation and sustenance of an organizational capacity for learning. Organizations must learn to learn. Argyris and Schon (1978) have referred to this notion as *deutero-learning*. Such learning is based on self-regulation and innovation. Evidence of deutero-learning would include allocation of resources to educational ideals, work experiences designed to improve employee knowledge and skills, and recruitment and promotion policies emphasizing curiosity and a capacity for learning (Crombie, 1981).

Bennis and Nanus (1985) have contended that learning occurs at all organizational levels—among individuals and groups as well as in the entire organization. Individuals learn by interacting with one another and mediating the flow of information, products, and personnel between an organization and its environment. Groups learn as their members cooperate to accomplish common goals. The entire organization learns as it receives feedback from its environment and anticipates necessary changes. Thus, organizational learning happens at all levels as new knowledge, tools, behaviors, and values are obtained and used.

Our limited understanding of how a capacity for organizational learning is created begs several additional questions. For instance, how are the knowledge structures of organizations challenged, modified, abolished, and restored as time passes and the environment changes? Why do some organizations fail to learn? Under what conditions can organizations learn to improve their capacity for learning? How do various types of learning interrelate?

Organizational Growth and Decline

Organizations do not exist in a steady state, but amid constant change. Assuming that they successfully adapt to changes in their environment, organizations not only endure, but also tend to grow and develop. Through an understanding of

the patterns and forces of organizational growth and decline, we will be better able to predict and therefore control what happens as organizations develop.

In framing the following remarks, a basic distinction between the terms *growth* and *size* is underscored. As noted by Litterer (1973),

Growth is a process internal to an organization which brings about certain directions of development Size, on the other hand, is something which results from growth. To suggest, as is sometimes done, that a change from one size to another is growth confuses effect with cause. Such a view may also obscure the fact that growth can be manifest in ways other than changes in size. (pp. 651-652)

Size may be one aspect of growth, but other important aspects include stabilization of behavior patterns, increasing earnings per share, establishing a strategic planning process, and implementing organization-wide control procedures.

Motives for Organizational Growth

There has long been a lack of empirical evidence concerning the specific goals of individual organizational members and those of dominant coalitions within organizations. Growth is not spontaneous, but related to the goals pursued by an organization's members. Organizational growth can continue only if the goals of the organization are met or the goals of at least some of its members are achieved.

At present, our knowledge of motives for organizational growth is glaringly incomplete. In what is perhaps still the most extensive review of the literature in this area, Starbuck (1965) enumerated 10 possible alternative and complementary goals related to growth. Three are associated with the motives of individual organizational members: the desire for (a) adventure and risk; (b) prestige, power, and job security; and (c) increased competition. Three are associated with the "problems and aesthetics" of administering an organization: the desire for (a) "organizational self-realization," (b) a stable environment, and (c) organizational survival. And four are associated with "organizational purpose and effectiveness": (a) increased profit, (b) increased revenue, (c) decreased costs, and (d) monopolistic power.

The above listing does identify various motives for growth, but fails to reveal the dynamics underlying the selection and pursuit of specific motives. As a case in point, consider ITT. When Harold Geneen arrived at ITT in 1959, he set the goal of steady growth of 10 to 15% in earnings per share every year. He was determined to double earnings in five years, and he did. As the years went by, whenever ITT acquired a new company, a goal of 10% annual growth was established. It made no difference whether times were good or bad; managers were simply expected to work harder (Geneen, 1984).

Clearly, motives for organizational growth may be related to the goals pursued by an organization's top managers. Dalton and Kesner (1985) have referred to such instances as being cases of "executive procreation." They have contended that this tendency is related to issues of power and prestige as well as to a com-

bination of adventure, risk, and aggression. Beyond this fundamental explanation, our understanding of the selection and pursuit of specific motives for organizational growth is virtually nonexistent.

Growth Models

Numerous models have been advanced to describe the growth of a typical organization (e.g., Greiner, 1972; Lippitt, 1982; Scott, 1971). Taken together, they suggest that organizations go through a variety of transitions after their initial creation. However, we need to know more about how organizations grow over time. For instance, none of the above models addresses organizational decline or death. Each is based on an implicit assumption of continued growth. Some organizations die relatively quickly, whereas others prosper and survive for decades, even centuries.

Available growth models, therefore, offer little insight for understanding the collapse or near bankruptcy of such established companies as Chrysler, Braniff, International Harvester, Aldens, Corvettes, and Lionel, or of such public sector entities as New York City, Cleveland, Yonkers, or Detroit. Growth models that reflect options other than continued growth await development.

Dynamics of Decline

Declining organizations face many problems. One of the most serious of these is the lack of flexibility at a time when adaptiveness and agility are especially needed. A fuller appreciation of the organizational attributes affected by decline has slowly begun to accumulate. Among the attributes most commonly affected are an organization's leadership, innovative processes, work-force composition, and relationships with interest groups (Greenhalgh, 1983). Questions related to each of these attributes remain unanswered:

1. Apparently, a precondition for the successful turnaround of an organization is the replacement of its top managers (Hofer, 1980). Must this always be true?
2. Unless properly harnessed, the stressful conditions accompanying decline typically give rise to forces that inhibit rather than encourage innovation. Consequently, at a time when creativity is sorely needed, reduced innovation constrains recovery (Greenhalgh, 1983). What can be done to offset the negative effects of stress as they relate to innovation and to preclude a declining organization from moving even closer to extinction?
3. One of the most disturbing effects of decline is that although voluntary turnover of all employees typically increases, it is usually the most qualified (hence mobile) employees who leave first (Whetten, 1981). The net result is a regression to the mean in labor-pool qualifications. How can declining organizations avoid being placed at a serious competitive disadvantage as a result of losing their best people?
4. When times are good and an organization is flush with resources, the demands of competing coalitions can be pursued simultaneously. However, when an organization is fighting for its survival, hard bargaining is a necessity. Managing a declining organization during such a period is made difficult by lack of re-

sources and by competing coalitions perceiving very high stakes and even an end-game situation. How can an organization better satisfy the demands of competing coalitions in an environment of decline as opposed to one of growth?

Success Breeds Failure

Research suggests that success makes some organizations insensitive to necessary changes and thereby threatens their continued survival (Starbuck, 1985). As insidious as decline may seem, organizations may actually require periodic threats or shocks to stay alive. That is, too much prosperity may be harmful in the long run. Although few organizations welcome crises, it can be argued that they are essential for survival.

Ironic though it may seem, Apple Computer's current difficulties may be a consequence of its past successes. Like the Roman Empire, Apple has had its rise and fall. However, the process did not take centuries—only a scant seven years from the time Steve Jobs and Steve Wozniak founded the company, both men were turned out to pasture. A pioneer in the home and educational markets for personal computers, Apple has been unable to establish a wider target market. After chalking up 100% annual growth year after year in its original market, Apple decided to take a crack at big business. It soon discovered that it did not fit in. The loose-as-a-goose, blue-jeans culture that was responsible for its initial success was incompatible with the big-business mentality required for going toe-to-toe with rival IBM. Our understanding of why some organizations are unable to transcend the success-breeds-failure syndrome and introduce necessary change is virtually nonexistent.

Conclusions

As should be clear from the four areas of research interest discussed, organizations are incredibly complex. They are molded by increasingly fluid and disorderly environmental forces that constantly threaten their rationally ordered structures and stated goals. As such, organizations are dynamic systems continuously interacting with the larger world of which they are a part.

The above review is selective and cursory. By no means does it begin to exhaust discussion of the diverse phenomena within the organization theory field. However, although the study of organizations is an emerging discipline, enough progress has been made to offer some indication of the more critical variables and research questions. Notably, attempts to study organizational effectiveness remain incoherent and theoretically unintegrated. The development of an accepted methodology for gauging an organization's overall effectiveness has been hampered by problems of measurement involving differing constituent perspectives, the assessment of performance over time, the question of appropriate levels of analysis, and the establishment of different effectiveness criteria for organizations of different types. Similarly, various gaps in understanding the ongoing interaction between an organization and its external environment still persist. Among these are how managerial perceptions and strategic choice influence the appropriate fit between an organization's structure and its external environment,

how organizations perceive, select, and implement responses for dealing with environmental uncertainty, and how organizations modify themselves in response to environmental threats and opportunities over time.

We also need to expand our knowledge of organizational learning. In particular, we require better models for understanding what and how organizations learn, how individual and organizational learning relate, what triggers an organization's learning system, and how a capacity for organizational learning is created.

Finally, in order to better control what happens as organizations develop, a thorough understanding of the patterns and forces of organizational growth and decline is necessary. Our knowledge of motives for organizational growth is incomplete. Growth models describing options other than continued growth await development. We lack insights into the dynamics of decline and into why some organizations are unable to introduce necessary change before success turns into failure.

Nevertheless, although organization theory must yet deal with many unresolved issues, it is beginning to specify some of the important questions to be asked and to generate clues as to where their answers might be sought. Much has been learned; much remains to be learned. Therein lie today's challenges for the study of organizations.

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