Chapter 1

ORGANIZATION THEORY: CURRENT CONTROVERSIES, ISSUES, AND DIRECTIONS

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INTRODUCTION

The field of organization theory is alive and apparently thriving. A sense of excitement and vitality has transcended national boundaries as researchers throughout the world have turned their attention to examining organizations as distinct units in a larger system of relations. An interdisciplinary field, organization theory is defined by its focus upon the *organization as the unit of analysis* (Cummings, 1978). It has roots in sociology, political science, anthropology, and economics, and deals with questions of organization structure, processes, and outcomes within social/economic contexts.

Organization theory thus focuses on the actions of organizations viewed as total entities. This stands in contrast to the field of organizational behavior that examines the behavior of individuals and groups within the context of organizations. The distinction here is not only one of unit of analysis, but of nature of dependent variables. Within the field of organizational behavior, the relevant dependent variables are measures of individual or subunit (e.g. work clusters, departments, authority ranks) affective or behavioral reactions. By comparison, organization theory takes as its primary concerns dependent variables such as effectiveness, efficiency, and environmental relations. As a consequence, while organizations furnish a common locus of research for investigators from both fields, their questions of interest and the corresponding conceptual schemes which guide their inquiries vary (Schneider, 1985). The present review will concentrate solely on the organization theory field. Those readers interested in reviews of the organizational behavior field are referred to representative sources such as Mitchell (1979), Cummings (1982), Staw (1984), and Schneider (1985).

Focus and Format of the Review

The literature associated with organization theory since its emergence as a field four or so decades ago is enormous. In a review such as this it is impossible to cover all areas or to do justice to areas that have received considerable attention in the literature. In general, as the number of contributions to a research domain increases, the pressures for review and integration grow. The mass of available information becomes too large for assimilation. This pressure has produced a number of earlier reviews of the organization theory field (Cyert and MacCrimmon, 1968; Donaldson, 1985; March, 1965; Miner, 1982; Pfeffer, 1986; Scott, 1964; Scott, 1975; Nystrom and Starbuck, 1981).

My intent is not to cover the same ground again. Rather, this review will focus on current controversies and issues associated with four topics on which substantial scholarship has been conducted recently. These topics are: (1) organizational effectiveness, (2) organization–environment relations, (3) organizational learning, and (4) organizational decline. For each topic, a summary will be provided of the prevailing theoretical approaches and research trends. Theoretical issues will be discussed more fully than any particular study, and ideas are emphasized over methods. The historical works of the field will be used as a framework for interpretation. A section at the end of the review comments on the field's present state of health.

ORGANIZATIONAL EFFECTIVENESS

In a recent commentary on the state of contemporary organization theory, it was observed that research themes seem to have changed not so much because issues are resolved and phenomena understood, but rather because investigators run out of steam and interest turns to 'newer, more exciting' topics (Bedeian, 1986b). Perhaps no topic better exemplifies this observation than that of organizational effectiveness.

Although it was identified by Cummings (1982) as a reemerging area of research likely to continue to accelerate as a focus of scholarship, the last few years have seen a virtual abandonment of organizational effectiveness studies, as investigators have turned to 'hotter' topics. The latest heyday of organizational effectiveness research began building up steam in the late 1970s (Cameron, 1978; Campbell, 1976; Goodman *et al.*, 1977; Steers, 1975, 1976, 1977).

Effectiveness Models

The goal model

Initial interest in organizational effectiveness can be traced to early economic, accounting, and general management theories. Viewed historically, theorists have traditionally defined effectiveness as the meeting or surpassing of organizational goals (see, for example, Barnard, 1938). This perspective has become known as the goal model approach to the study of organizational effectiveness, since it views organizations as principally concerned with the attainment of certain end products or goals. The goal model thus rests on the implicit assumption that an organization's goals can be clearly established and that necessary human and material resources can be manipulated for goal attainment.

Various shortcomings in the goal model have been noted repeatedly. For instance, it has been observed that most contemporary organizations are multifunctional, pursuing numerous goals at the same time (Cameron, 1981a). Consequently, effectiveness in attaining one goal may be inversely related to effectiveness in attaining other goals. This suggests the likelihood that an organization will find it impossible to be effective in all areas simultaneously if it has multiple goals.

A second common criticism leveled at the goal model concerns the establishment of unambiguous criteria for measuring effectiveness. An ability to assess effectiveness on the basis of goal attainment depends upon the extent to which goals are measurable. Business firms, for example, have identifiable 'bottom line' objectives. No comparable yardstick exists for public organizations such as social welfare agencies and voluntary associations (Keating and Keating, 1981; Meyer, 1985). The determination of what constitutes goal attainment in these and similar situations can be quite unclear.

Despite these and other such criticisms, the goal model remains the dominant approach for studying organizational effectiveness (Clinebell, 1984). 'Its dominance,' as suggested by Hall (1980, p. 538), 'is linked to the fact that organizations do in fact utilize goals, as witnessed by annual reports and planning documents.' Hall further notes that 'while these can be labeled as rationalizations for past actions, goals remain a central component of most theories of organizations and of organizational effectiveness'.

The system resource model

Perhaps the most widely accepted alternative to the goal model is known as the system resource model of organizational effectiveness. Incorporating an open-systems viewpoint, this approach defines effectiveness as the degree to which an organization is successful in acquiring scarce and valued resources. The system resource model focuses on the interaction between an organization and its environment. In contrast to the goal model, inputs replace outputs as the primary consideration (Shipper and White, 1983). Organizations are viewed as involved in a continuous bargaining relationship with their environment, importing scarce resources to be returned as valued outputs. An organization's survival through time clearly depends upon its ability to establish and maintain a favorable input–output ratio. That is, to establish and maintain a greater resource intake than is required to produce its output.

Like the goal model, the system resource model has also received its share of criticism. Principal among these is that it is difficult to operationalize. While the system resource model holds that an organization is most effective when it optimizes its resource intake, it provides little guidance as to what constitutes optimum procurement. Moreover, it does not elaborate on *which* scarce and valued resources are relevant for assessing an organization's effectiveness and how, once obtained, they should be internally allocated.

More recent models for studying organizational effectiveness have been largely integrative. Two of these models, the 'multiple constituency approach' and the 'competing values approach', have generated sufficient interest to be considered separately. Each will be examined in turn.

Multiple constituency model

Individuals become involved with different organizations for various reasons. As would be anticipated, these reasons are reflected in differential preferences for performance. The multiple constituency approach (Connally, Conlon, and Deutsch, 1980) to organizational effectiveness defines effectiveness as the extent to which an organization satisfies the goals of its strategic constituents (or stakeholders). Thus, it represents an expansion of the goal model in the sense that it incorporates in the assessment process the goals of constituencies other than managers. As generally portrayed, a typical organization's constituencies (stakeholders) include society in general, customers, governments (local, state and federal), owners, employees, suppliers and competitors (Bedeian, 1986a). The multiple constituency model, thus, avoids problems of specifying and assessing organizational goals inherent in the goal model, as well as problems of identifying and assessing optimal resource acquisition as required by the system resource model.

As with its predecessors, however, critics have been quick to note several shortcomings associated with the multiple constituency model. Most notably, it incorporates several underlying value-based issues. Major among these is that selecting specific constituents to participate in assessing an organization's effectiveness involves a value judgement (Mark and Shotland, 1985). Except in instances where there is a limited constituent set or an unlikely consensus among constituents about what is important, practical constraints will prohibit an organization from satisfying *all* concerns that might interest its various constituents.

This dilemma has obvious implications for the actual measurement of organizational effectiveness. Admittedly, perceptions of an organization's effectiveness depend largely upon its constituents' frames of reference (Zammuto, 1984). As Bedeian (1986b) has observed, this presents three rather complicated measurement issues:

1. Any and all effectiveness criteria that are proposed will doubtlessly be viewed in terms of self-interest by each of the constituents involved.
2. Despite claims to the contrary, no criteria will be viewed impartially. Assessments of effectiveness do not take place in a neutral vacuum. Each criterion will likely benefit some constituents more than others.
3. Given the above considerations, in a situation in which resources are scarce, we would have every reason to expect a wide divergence and commensurate conflict in the criteria different constituents propose for assessing effectiveness.

Competing values model

The most recent approach to studying organizational effectiveness is that developed by Quinn and Rohrbaugh (1981, 1983; Rohrbaugh, 1981, 1983; Faerman and Quinn, in press). Known as the 'competing values' approach, it provides a means for integrating different models of organizational effectiveness with respect to three underlying value dimensions: (1) an internal focus versus an external focus, (2) a concern for flexibility versus a concern for control, (3) a concern for ends versus a concern for means.

Casting these underlying value dimensions on a Cartesian plane, Quinn and Rohrbaugh found a parallel with four alternative models of organizational

effectiveness (see Figure 1.1). The 'human relations' model emphasizes an internal focus together with flexibility. It stresses effectiveness criteria such as cohesion and morale (as means) and human resource development (as an end). The 'open-systems' model emphasizes an external focus along with flexibility. It stresses effectiveness criteria such as innovation and readiness (as means) and organizational growth (as an end). The 'rational goal' model emphasizes an external focus, as well as control. It stresses effectiveness criteria such as planning and goal setting (as means) and productivity (as an end). Finally, the 'internal process' model emphasizes an internal focus together with control. It stresses effectiveness criteria such as the role of information management and communication (as means) and stability and predictability (as ends).

Each of the four organizational effectiveness models identified by Quinn and Rohrbaugh (1981) is embedded in a set of competing values. Indeed, while each does have a polar opposite with a directly competing emphasis, it also shares parallel
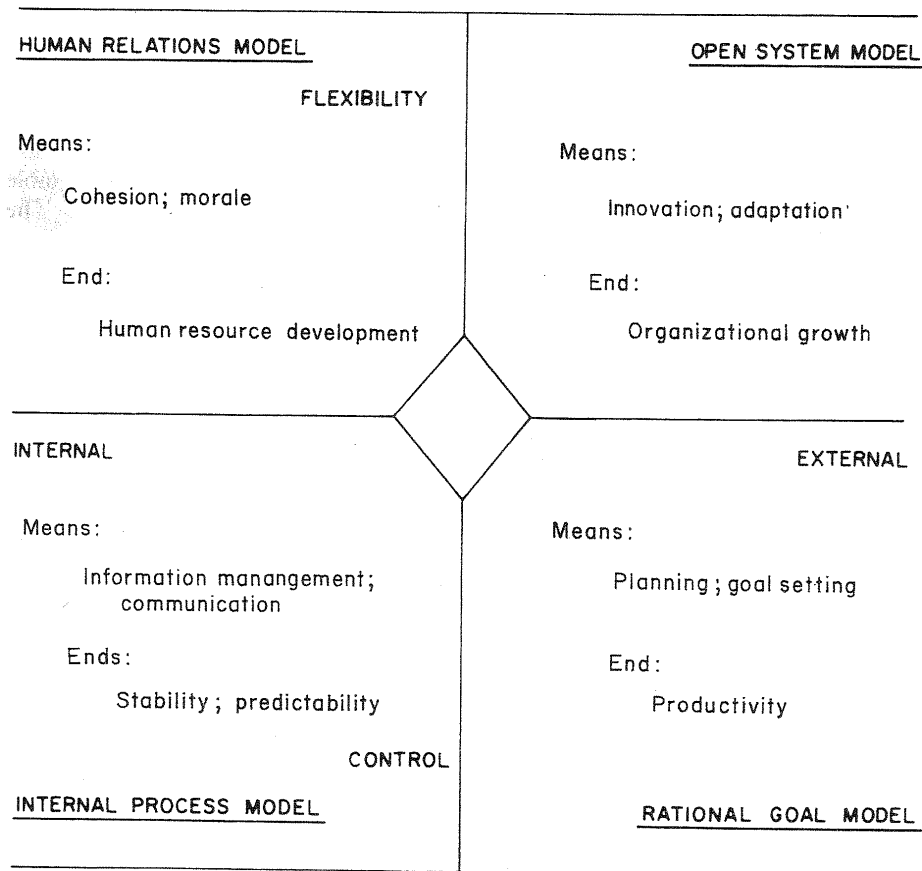
HUMAN RELATIONS MODEL	OPEN SYSTEM MODEL
FLEXIBILITY	
Means:	Means:
Cohesion; morale	Innovation; adaptation
End:	End:
Human resource development	Organizational growth
INTERNAL	EXTERNAL
Means:	Means:
Information manangement; communication	Planning; goal setting
Ends:	End:
Stability; predictability	Productivity
CONTROL	
INTERNAL PROCESS MODEL	RATIONAL GOAL MODEL

Figure 1.1 A summary of competing value dimensions and four effectiveness models
Source: based on Quinn and Rohrbaugh (1981, 1983; Rohrbaugh, 1981, 1983)

emphases with the two models it adjoins on common axes. The critical point to note, however, is that while certain pairs of effectiveness criteria reflect competing values, in practice they are not mutually exclusive. To be effective may require that an organization be both cohesive *and* productive, or stable *and* innovative.

The competing values approach clearly recognizes that multiple criteria and potentially conflicting constituent interests underlie any effort at assessing an organization's effectiveness. Moreover, given an understanding of the values different constituencies hold, it provides a basis for predicting the effectiveness criteria a constituency will likely employ in judging an organization's performance. Such knowledge should be of great value to an oganization attempting to satisfy a maximum number of stakeholders.

Measurement Concerns

As the preceding discussion suggests, irrespective of approach, assessing effectiveness is difficult and potentially controversial. Much frustration, as well as numerous methodological problems, surround the measurement of organizational effectiveness (Cameron, 1986). Several authors have even called for a moratorium on studies of organizational effectiveness and, in the extreme, have suggested that efforts to develop a theory of effectiveness be abandoned (Bluedorn, 1980; Goodman, Atkin, and Schoorman, 1982). The work of Quinn and Rohrbaugh (1981) is especially notable in integrating what has largely been a fragmentary and scattered area. The development of an accepted methodology for assessing an organization's overall effectiveness has been hampered by acknowledged measurement problems (Bedeian, 1986b).

Of particular concern in measuring effectiveness is the assessment of organizational performance across time (Cameron and Whetten, 1984). Three issues are particularly noteworthy. First, since organizations do not perform in standard units that are uniformly distributed over time, effectiveness is cyclical (Warner, 1967). Thus, the specific period or era and the actual time — short-run versus long-run — used in assessing an organization's performance may influence the resulting evaluation. Second, organizations are necessarily at different stages in their life cycles. Thus, effectiveness criteria appropriate at one stage may be unsuitable at another as organizational goals at each stage generally have a different focus (Cameron, 1981b; Cameron and Whetten, 1981; Quinn and Cameron, 1983). Third, taking a multiple constituency perspective, it is likely that an organization's constituents will change over time (Zammuto, 1982a, 1984). Moreover, the preferences of any continuing constituents are unlikely to remain stable. Measurement techniques for incorporating such changes and, in turn, determining how an organization's attempts to satisfy constituent preferences at one point in time will likely change constituent expectations for an organization's future performance simply do not exist.

A further measurement problem hampering the development of an accepted methodology for assessing effectiveness concerns the translation of criteria across levels of analysis (Mossholder and Bedeian, 1983a, 1983b). Effectiveness can be and has been conceptualized at the individual, group, and supra-system levels. It should

not be assumed, however, that assessing an organization's overall effectiveness is a substitute for assessing its components or vice versa. Moreover, as Schneider (1985, p. 597) notes, it is becoming increasingly recognized that studies which include 'data derived from a focus on only one unit of analysis will likely yield relatively weak relationships because phenomena exist at multiple levels'. In the context of the present discussion, our ability to measure organizational effectiveness would be significantly enhanced by the identification of processes that operate across levels.

A final, but certainly not last, measurement problem hindering the development of an accepted methodology for assessing effectiveness concerns the appropriateness of criteria across organizations (Lewin and Minton, 1986). Research supports the view that since different types of organizations (e.g. profit versus not-for-profit) have different goals and constituencies, different criteria are appropriate for judging their performance (see, for example, Bozeman, 1982). Thus, while certain criteria (e.g. market share) may be relevant for certain types of organizations (e.g. business firms), they may have little relevance for others (e.g. public service agencies). A valid means for establishing appropriate effectiveness criteria that accurately reflect such contrasting orientations awaits development.

ORGANIZATION–ENVIRONMENT RELATIONS

Environmental relations have probably attracted more research than any other dependent variable in the organization theory field. The issue of organization–environment relations has drawn the attention of investigators for the greater part of the last two decades. Recent research, maintaining a longstanding tradition, has continued to examine environmental management strategies. Likewise, it has extended its focus in the allied areas of organization–environment 'fit' and strategic choice and environmental determinism. Of additional current interest, population ecologists have emerged in force as a vocal group attempting to explain the dynamics of organization–environment relations. The following discussion will review recent work in the areas of (1) organization–environment fit, (2) strategic choice and environmental determinism, (3) population ecology, and (4) environmental management strategies, including environmental scanning.

Organization–Environment 'Fit'

Structural contingency theory models have long dominated the study of organization design and performance (Venkatraman and Camillus, 1984). The basic proposition of these models is that performance is contingent on a fit between two or more factors, e.g. the fit between environmental demands, strategy, structure, and technology. Recently, however, structural contingency theory has drawn increasing criticism for a seeming inability to address its basic theoretical and empirical problems (e.g. Schoonhoven, 1981; Schreyogg, 1980; Takahashi, 1983).

In specific response to this mounting criticism, Van de Ven and Drazin (1985; Drazin and Van de Ven, 1985; Van de Ven, 1979) have argued that much of this criticism arises from the inadequate specification of the 'fit' concept. Van de Ven

(1979), for instance, has noted that there are at least four different conceptual meanings of fit, each with its own unique theoretical implications. Contending that little scientific progress will be made until more detailed specifications of fit are established, Van de Ven and Drazin (1985) have made a significant contribution to the organization theory literature by addressing the current confusion surrounding contingency theory models.

Focusing on three approaches to fit—selection, interaction, and systems—Van de Ven and Drazin (1985) have not only suggested alternate means for testing the fit concept, but have empirically tested their own recommendations (Drazin and Van de Ven, 1985). Their evidence provides support for the selection and systems approaches, but not the interaction approach. Commenting on the generalizability of this finding, Drazin and Van de Ven urge the design of further contingency studies to permit additional comparative evaluation of alternative approaches to fit. In doing so, they stress that the resulting complementary information can result in more comprehensive explanations of context–structure–performance relationships than any single approach to fit alone.

Strategic Choice and Environmental Determinism

Although research suggests that some form of fit between an organization's structure and its environment affects its performance, the role of managerial perceptions and strategic choice in this adaptive process is still unclear (Bourgeois, 1985). As Hrebiniak and Joyce (1985, p. 336) note, 'The prevailing assumption in recent literature is that strategic choice and environmental determinism represent mutually exclusive, competing explanations of organizational adaptation'. On the one hand, environmental determinists, focusing on objective environments as determinants of structures, have disregarded the influence of managerial perceptions on organizational adaptations. On the other hand, strategic choice advocates, emphasizing the role of managerial perceptions, have ignored the influences of objective environments. Despite the general recognition that organizations and their environments are parts of a complex interactive system both groups have assumed one-way causality. Yasai-Ardekani's (1986, p. 9) conclusion that 'objective and perceptual approaches to the study of environment-structural fit have yielded equally suspect results' should thus not be surprising.

Environmental determinists essentially view organizations as passive recipients being acted upon by their environment. By contrast, strategic choice advocates view organizations as perceptually modeling their world and taking actions accordingly. A recognition of the relevance of both the environment and top managers' choices in determining organizational performance is beginning to emerge (Astley and Van de Ven, 1983; Dess and Beard, 1984). Hrebiniak and Joyce (1985), for instance, have argued that classifying organizational adaptations as either managerially or environmentally derived is misleading. They suggest instead that strategic choice and environmental determinism are independent variables that in interaction yield four types of organizational adaptation: (1) natural selection: low strategic choice and high environmental determinism, (2) differentiation: high strategic choice and high environmental determinism, (3) strategic choice: high

strategic choice and low environmental determinism, and (4) undifferentiated choice: low strategic choice and low environmental determinism. The key point emerging from Hrebiniak and Joyce's analysis is that organizational adaptation is a dynamic process in which strategic choice and environmental determinism exist simultaneously.

Hrebiniak and Joyce thus view strategic choice and environmental determinism as variables whose effects can only be understood in relation to one another. Their model of organizational adaptation suggests that strategic choice and environmental determinism never operate in isolation. In an extension of Hrebiniak and Joyce's logic, Bedeian (1986b) contends that strategic choice and environmental determinism stand in a relationship of continuous reciprocal influence in which organizations respond to their environments as well as change them. His argument is that environmental attributes and strategic choice continuously influence each other in a multidirectional interaction process that Pervin and Lewis (1978) term 'reciprocal action–transaction'. What makes the reciprocal action–transaction model even more different from traditional models is that it requires consideration of a time orientation. In traditional models, strategic choice and environmental determinism are viewed interdependently. By contrast, from a reciprocal action–transaction perspective, strategic choice and environmental determinism exist in continual interaction over time. Thus, reciprocal action–transaction derives from two factors: (1) organizations not only react to their individual environments, they also create or enact them, and (2) the resulting new environments in turn influence future organization actions, which alternately change the environments again. The continuous reciprocal influence underlying the cognitive interpretation and reinterpretation of environments by organizations hence emphasizes the need to attend to both subjective and objective phenomena as they interact across time. As two examples, recently published case studies of the historical development of the Du Pont Company (McNamee, 1983) and how the cigarette industry has protected its environmentally threatened cigarette operations (Dunbar and Wasilewski, 1985) clearly underscore the continuous reciprocal interplay of organization and environment.

Population Ecology

Following a deterministic slant, the population ecology perspective has quickly become one of the most influential approaches for explaining the dynamics of organization-environment relations. Proponents of this perspective focus on the appearance, development, and disappearance of organizations. They contend that extreme environmental demands in effect 'select out' stronger, more dominant organizational forms as 'weaker' organizations cease to exist, or survive only as markedly different forms of organization. Thus, organizational forms which are successful spread through growth and imitation, while unsuccessful forms disappear or are absorbed into other organizations. A complete development of population ecology as it applies to organizations is given by Aldrich, McKelvey, and Ulrich (1984), Aldrich and McKelvey (1983), Bidwell and Kasarda (1985), Kasarda and Bidwell (1984), McKelvey and Aldrich (1983), Ulrich (1984), and Ulrich and Barney

(1984). Astley (1985a) has recently gone beyond population ecology to develop a more encompassing community ecology perspective.

A fundamental aspect of population ecology lies in the identification of environmental niches — 'distinct combinations of resources and other constraints that are sufficient to support an organizational form' (Aldrich, 1979, p. 28). Of particular interest has been the question of niche width. That is, a population of organizations' 'tolerance for changing levels of resources, its ability to resist competitors, and its response to other factors that inhibit growth' (Carroll, 1985, p. 1266). Populations with a broad niche (generalists) have a wide tolerance, being able to reproduce in diverse circumstances. Those with a narrow niche (specialists) have more limited ranges of tolerance, being able to survive only in specific environmental conditions. To date, studies investigating the notion of niche width (Carroll, 1985; Freeman and Hannan, 1983; McPherson, 1983) have been more distinguished by their statistical manipulations than their clarity of results. Likewise, analyses of the general population ecology model have largely reported inconsistent results (Korsching, 1983; Marple, 1982, 1983; Rundall and McClain, 1982; Staber, 1985).

Criticism of the population ecology perspective has been far-reaching (Betton and Dess, 1985). Critics have claimed that the selection process incorporated in population ecology is much more complicated than presented. As Weick (1979, p 125) explains, 'their objection is that "selection" can occur in so many ways that the concept does not explain very much of what happens. It is easy to attribute everything that occurs to some kind of selection, and for this reason the explanation loses its power'. Others (McPherson, 1983; Van de Ven, Hudson and Schroeder, 1984) have noted that unless the population ecology logic is tested with longitudinal experimental evidence, it contains an inherent tautology: organizations are successful because they have survived, and they have survived because they were successful. Equally vocal are those (Astley and Fombrun, 1983; Astley and Van de Ven, 1983) who argue that environments may not really consist of open niches waiting to be filled, but rather of potential space that needs to be carved out. Additionally, there are critics (Büschges, 1985; Foo, Aliga and Puxty, 1981) who object to population ecology's virtually ignoring the role played by managerial decision makers. The population ecology perspective views organizations as adopting a passive, reactive posture in relation to environmental events. It depicts the process of selection among organizational forms continuing almost regardless of managerial decision makers. Finally, it has also been noted (Astley, 1984; Strauss, 1982) that population ecologists have focused almost exclusively on the dynamics of competition and ignored the cooperative social and political features regulating the vital intersections between organizations.

Environmental Management Strategies

Environmental scanning

Theorists rejecting the notion of a deterministic relationship between environment and structure generally argue that strategic choice plays an important role in influencing an organization's responses to its environment. In this respect, a close relationship has been repeatedly shown between performance and gathering of

environmental data. On the upscale side, most research shows a positive correlation between superior performance and the extent to which organizations scan their environment (e.g. Miller and Friesen, 1980). On the downscale side, organizational decline has been repeatedly associated with a failure to adequately identify and assess environmental trends (e.g. Schendel, Patton and Riggs, 1976).

As generally conceptualized, scanning involves monitoring and evaluating events and trends in an organization's environment. Recognizing the importance of adequately identifying and assessing environmental trends, organization theorists have continued their study of formal environmental scanning activities. A two-dimensional matrix for guiding scanning activities has been developed by Camillus and Venkatraman (1984). Diffenbach (1983) and Higgins (1986) have surveyed the extent of environmental analysis in *Fortune 500* and British firms, respectively. Klein and Linneman (1984) have similarly surveyed the nature of environmental scanning in a worldwide sample of international corporations. Other more or less comprehensive studies have also been recently reported (e.g. Fahey, Narayanan, 1981; Jain, 1984; Stubbart, 1982).

Studies investigating specific hypotheses relating to environmental scanning behavior have been performed by Nishi, Schoderbek, and Schoderbek (1982; Nishi, 1979) and Culnan (1983). In a test of eight propositions, Nishi *et al.* (1982) found, among other things, that executives' scanning behaviors (surveillance and search) were related to different environmental states (dynamic versus stable), as well as to different hierarchical levels of management (upper versus lower). Culnan's (1983) findings also confirm that scanning is influenced by an organization's environment, but that the information-gathering requirements (e.g. complexity) associated with a manager's environment are related to the use of different information sources (e.g. periodicals, consultants, databases). In a methodological advance, Farh, Hoffman, and Hegarty (1984) have adapted Hambrick's (1981) environmental scanning scale for use at the subunit level. Finally, Lenz and Engledow (1986) have explored the administrative problems associated with structuring, sustaining, and using environmental scanning units in ten 'leading-edge' corporations.

Assuming a benefit from environmental scanning, the specific strategies organizations employ hopefully to manage their environment vary extensively. What have been generally classified as *direct* strategies include coopting, interlocking directorates, illegal activities, mergers, and joint ventures. More *indirect* strategies include involvement of third parties such as trade associations (e.g. National Association of Furniture Manufacturers), professional organizations (e.g. American Medical Association), and, in the US, political action committees. The extent of research on each of these strategies varies. Mergers, joint ventures, and similar coalescing activities have been extensively reviewed in the general management literature (e.g. Bedeian, 1986a) and will, thus, not be covered here. Comments, however, will be offered on a majority of the remaining identified strategies.

Coopting

A *direct* strategy for dealing with environmental uncertainty, coopting is the process of absorbing external elements into an organization's decision-making or policy-determining structure as a means of averting threats to its stability or existence.

The naming of International Union–United Auto Workers President (Emeritus) Douglas A. Fraser to the Chrysler Corporation board is a typically cited example of cooptation (Zeithaml and Zeithaml, 1984). Cooptation is selected as a strategy to manage environmental relations on the assumption that if threatening elements from the environment are absorbed or coopted into an organization, the effects of uncertainty can be partially neutralized. The classic case is the non-financial corporation that is seriously indebted to a particular bank and coopts a representative of the bank onto its board (Pennings, 1980). The notion of cooptation, however, has been more broadly defined. Hirsch (1975) has shown how the pharmaceutical industry coopted the American Medical Association. More recently, Burt (1983a, 1983b) has suggested that corporate philanthropy can be employed as a means of coopting the consumer sector of a nation's economy.

Interlocking directorates

Interlocking directorates is a second *direct* strategy for attempting to manage environmental uncertainty. The literature dealing with interlocking boards of directors is voluminous (e.g. recently, Burt, 1982, 1983a; Fennema, 1982; Mintz and Schwartz, 1985; Mizruchi, 1982; Pennings, 1980; Scott and Griff, 1984). The goal of director interlocks is to help manage external dependencies, and thus make an organization's environment more manageable. Research suggests that this is primarily accomplished in four ways: (1) establishment of horizontal coordination, whereby two or more competitors are linked, can communicate, and can jointly benefit; (2) establishment of vertical coordination, whereby an organization can reduce uncertainty concerning either its input or its outputs; (3) appointment of outside directors who can contribute information and skills from which an organization can benefit; and (4) appointment of prestigious people as directors to provide confirmation for the larger environment as to the wealth and responsibility of an organization (Bazerman and Schoorman, 1983; Mintz and Schwartz, 1981; Ornstein, 1984; Palmer, 1983; Roy, 1983; Schoorman, Bazerman, and Atkin, 1981).

Illegal activities

Interest in organizational illegality, a third *direct* strategy for managing organization-environment relations, has grown steadily (e.g. Sonnenfeld, 1981). The exact extent of such deviant behavior is, of course, unknown. Available evidence, however, suggests that it is quite extensive (Clinard, 1983a, 1983b; Ermann and Lundman, 1982; Wagel, Ermann, and Horowitz, 1981). As identified by Szwajkowski (1985), three explanatory variables appear to form the building blocks of organizational crime theory. They are: environment (press, need or distress); structure (corporate, industrial or legal); and inner-directed choice processes (pathology, intent or proactive exploitation). Szwajkowski contends that these variables may occur in isolation or combination and may be manifested in numerous ways. Moreover, he notes that their explanatory power may vary considerably across violation type and setting, with their effect differing depending upon whether relevant laws are new and uncertain or well-established and tested.

Political action committees

Of the various *indirect* strategies employed by organizations hopefully to manage their environment, political action committees (PACs) have perhaps generated the most interest. While corporations in Britain are permitted to donate money to political parties and candidates they favor, US corporations by law cannot (Useem, 1984). The US ban on direct corporate financing of political campaigns has prompted a substantial number of organizations of all types (corporate, labor, trade) to establish PACs to collect funds from employees and channel them to friendly political parties and candidates. The growth in PAC activity has spawned a good deal of concern in both the academic (e.g. Handler and Mulkern, 1982) and popular press (Grover, 1986). This concern is far too wide to chronicle here. Some researchers have concluded that PACs do have a major effect on legislative behavior (Kau and Rubin, 1981; Kau, Keenan, and Rubin, 1982). Others, however, contend that the influence of PACs is overstated (Banthin and Stelzer, 1986; Chappell, 1982; Keim, Zeithaml, and Baysinger, 1984; Malbin, 1979). Of the studies in this area, the works of Masters and his colleagues (e.g. Masters and Keim, 1985) are of particular interest. More specifically, Masters and Baysinger (1985) have developed a theoretical framework to explain variation in corporate PAC fundraising. Findings based on hypotheses derived from the model suggest that the federal government, through its actions as a purchaser and regulator, seems to have a significant impact on how corporations act in the political arena. For instance, it is not surprising to find that corporations highly affected by government attempt to influence policy making through electoral campaign financing. Similarly, Masters and Delaney (1985) have developed and tested an exploratory model to explain differences in union PAC contributions. Their findings suggest that political activity among union PACs is at least partly a function of being situated in a highly regulated economic sector. In any case, evidence is mounting to suggest that organizations, especially US corporations, are becoming increasingly involved in political activity (Baysinger, 1984; Baysinger and Woodman, 1982; Dickie, 1984; Keim, 1985; Yoffie and Bergenstein, 1985).

ORGANIZATIONAL LEARNING

Interest in oganizational learning can be traced to the early work of Cyert and March (1959, 1963; March, 1962). This interest, however, did not reach its full stride until the publication of March and Olsen's (1975, 1976) research on ambiguity and choice. A conceptually appealing notion, organizational learning has recently emerged as a key concept in the popular management press. Writing in their *Leaders: The Strategies for Taking Charge*, Bennis and Nanus (1985) see 'innovative' learning as essential for an organization's survival. Similarly, O'Toole (1985) sees 'continuous' learning as a general characteristic of organizations practicing the 'New Management', or what he terms 'Vanguard Management'.

Generally defined, organizational learning is the process by which an organization obtains knowledge about the associations between past actions, the effectiveness of those actions, and future actions (cf. Fiol and Lyles, 1985). As presented by March and Olsen (1975), organizational learning rests on two fundamental foundations: (1) rational calculation and (2) experiential learning. The notion of rational calculation

incorporates the idea that organizations use expectations about future outcomes as a basis for selecting among current alternatives. Experiential learning assumes that organizations adjust their activities based on past experiences in an effort to increase their competence.

Just as in the case of 'organizational goals', the concept of organizational learning raises the issue of reification. That is, it grants to the concept of organization anthropomorphic (human) characteristics that it does not possess. Acknowledging that organizations exhibit adaptive behavior over time, it seems naïve to assume that organizations learn in the same manner as human beings. Bennis and Nanus (1985) sidestep this issue by simply declaring that organizational learning occurs at all levels in an organization—among individuals and groups as well as systemwide. Friedlander (1983) avoids this issue by coining the term 'learning organism' to include both individual and organizational learning. Perhaps most satisfactorily, Argyris (1985) states that organizational learning is produced through the actions of individuals acting as an 'agent' for an organization. Exactly how individual and organizational learning relate remains unclear. Organizational learning is, however, certainly real. In adapting over time, organizations obviously employ individual members as behavioral instruments. However, the learning process involved seems independent of individuals and to proceed uninterrupted through repeated turnover of personnel, as well as despite some variation in the actual behaviors people contribute. This would suggest that the organizational learning process is influenced not only by the specific individuals involved, but by a broad set of exogenous (i.e. social, political and structural) variables.

Organizational learning has reached its current prominence on the basis of its importance for bringing about successful change. As Friedlander (1983, p. 194) remarks, 'Learning is the process that underlies and gives birth to change. Change is the child of learning'. This reasoning, of course, reflects a basic logic that has long been a part of the literature on innovation. For instance, Shepard (1967), writing on innovation-resisting and innovation-producing organizations, considered an organization to have innovated when it had learned to do something it did not know how to do before. The conceptual overlap in the organizational learning and innovation literatures suggests that the latter might be an important knowledge base for understanding (1) how learning (innovation) is induced, (2) how to design organizations which are productive of innovations (learning), and (3) how to change an innovation (or learning) resistant organization into an innovation (or learning) producing organization. Recognizing a close relationship between strategic action and innovativeness, this conceptual overlap further suggests that the development of a strategic management capability is closely related to an organization's ability to learn and be creative. Indeed, Normann (1985) contends that a high organizational learning capability is an underlying variable explaining performance in strategic action. This contention squares completely with Shrivastava and Grant's (1985; Shrivastava, 1985) research into strategic decision-making processes and organizational learning. While their work reveals that there is no perfect organizational learning system, it underscores the necessity of developing organizational learning systems that support an organization's strategic decision-making processes.

Theories of Action

Building on their learning, organizations develop what Argyris and Schön (1978; Argyris, 1985) have termed theories of action. These theories represent beliefs that organizations hold about the environmental consequences (outcomes) of their actions. Shrivastava and Schneider (1984) contend that such theories allow employees to share organizational frames of reference and institutionalize them as consensual knowledge. Hedberg (1981), however, warns that difficulties commonly occur in relating organizational actions to specific environmental responses. He introduces the concept of myth to denote invalid theories of action which guide organizational learning. Myths are undermined as they fail to produce desired results or as exogenous events raise doubts about their validity. As this occurs, new theories of action will emerge. The theory of action generating the most convincing strategy will rule until it is no longer valid (becomes a myth). An understanding of the emergence of theories of action would be of considerable importance in comprehending the dynamics of organizational learning (Brunsson, 1985; Ford and Hegarty, 1984). To the extent that theories of action permit the sharing of oganizational frames of reference and their institutional-ization as consensual knowledge, a clear implication thus emerges: what organizations learn does not depend on their environment in general, but on those elements in the environment from which they form their theories of action (Dery, 1982, 1983).

Organizational Memory

A point yet unmentioned is that experiential learning, the second fundamental foundation upon which organizational learning rests, presupposes a capacity to recall. Therefore, organizations must accumulate and maintain an adequate organizational memory (Etheredge, 1981). As described by Covington (1985), memory contributes to two organizational attributes: (1) a learning capability that informs and conditions decisions with knowledge of the past, and (2) an independent and self-sustaining identity—a continuing characteristic sense of mission. In an interesting analysis, Covington (1985) studied the organizational memory of the staff components attached to the National Security Council, the Office of Management and Budget, and the Council on Environmental Quality. Six features were identified as determinates of organizational memory: (1) staff turnover, (2) record-keeping regulations, (3) veteran-newcomer cooperation, (4) goal compatibility over time, (5) job routine, and (6) recruitment control. A study by Green, Bean, and Snavely (1983) of idea flows in an R&D lab extends our knowledge in this area further. Their results suggest that the critical key in idea management for organizational learning may be moving ideas from an organization's short-term memory into a long-term memory.

Organizational learning occurs along several simultaneous dimensions. Learning from direct experience (experiential learning) is supplemented by other forms of learning. Organizations also learn from (1) imitation, (2) novel interpretations of prosaic facts, (3) errors, and (4) superstition.

Imitative Learning

Learning through imitation results from the diffusion of experience. Imitation, or simply copying others, is a common method for increasing the amount of experience

from which an organization can draw (March, 1982). Indeed, March and Sevón (1982) observe that organizations copying each other can be seen as reflecting contagion, and that such learning can be seen spreading through a population of actors like measles through a population of children. Imitation allows new organizations to start further along the learning curve and possibly out-compete older organizations (Aldrich, 1986). This copying often takes the form of 'reverse engineering' (Eells and Nehemkis, 1984), where an organization examines in detail its competitors' products as they appear in the marketplace. Imitation is thus one way for an organization to neutralize an advantage enjoyed by its competition. Citing research by Ijiri and Simon (1967), Dutton and Freedman (1985) suggest that the inability of *Fortune* 500 firms to maintain or replicate past successes may result from competitors imitating their successful techniques. This is one example of what DiMaggio and Powell (1983) have called 'mimetic processes' whereby organizations mimic each other as a means for nullifying the perceived advantages of their competitors. Commenting on such situations, Herriott, Levinthal, and March (1985), however, argue that while 'fast learners' often do better than 'slow learners', there are many plausible situations in which slow learners do better than fast learners. In a related finding, Sahal (1981) presents evidence to suggest a lack of interindustry transmission of technical know-how. Knowledge largely seems to be product and industry specific. The process of learning associated with the development of technology appears context dependent, typically isolated in the industry of its origin. Sahal (1981, p. 57) has labeled this phenomenon the 'principle of technological insularity'.

Novel Learning

A second form of organizational learning involves the novel interpretation of prosaic facts. As Smirich and Stubbart (1985) observe, successful organizations have often considered the same facts available to their competitors, but done so in a way as to invent startling insights. They cite as one example Ray Kroc and McDonald's fast-food hamburger restaurant chain. Smirich and Stubbart further note that such novel interpretations frequently occur when organizations enter an environment in which they have no experience. Not burdened by prior theories of action (myths?), they introduce novel strategies that run counter to conventional assumptions. As an example they cite Philip Morris in the beer industry. The introduction of Lite Beer through the firm's Miller Brewing unit flew in the face of traditional knowledge that a diet beer could not be sold. Such erroneous industrywide theories of action (myths) stress the fragile nature of so-called industry wisdom (Cooper and Schendel, 1983). The dynamics underlying industrywide learning have only recently been studied (Stokey, 1986). Such occurrences draw attention to the fragile nature of theories in use.

Learning from Errors

Organizations also learn through their errors. While little cumulative research is available on this form of organizational learning, its importance should not be underestimated. Dery (1982, p. 217) contends that 'the learning organization is, by

definition, an erring organization'. Notably, Dery argues that error recognition is a function of interpretation rather than simply observation of events. This argument stresses the significance of converting data into information. The story is told at Proctor & Gamble (P & G) of how a crutcher (a device to mix ingredients) was left on too long and inadvertently put air bubbles into an early product, thus accidently producing a buoyant soap, Ivory. P & G was aware of the error (data), but it carried no meaning (information) until shoppers started asking for more of 'the soap that floats'. To restate Dery's position, error recognition (i.e. interpretation of events) rather than simple error detection is a basic prerequisite to organizational learning.

Superstitious Learning

Finally, organizational learning can be superstitious. This is likely to be the case in situations where organizational outcomes are affected by both random and systematic environmental effects, and where the rate of environmental change exceeds an organization's ability to adapt (Levinthal and March, 1981). In general, superstitious learning develops because cognitive limitations distort managerial perceptions of action–outcome relations in such a way that environmental responses to organizational initiatives are erroneously interpreted. Notwithstanding, organizational actions are assumed to produce intended environmental responses and subsequent actions are modified in what is judged to be an appropriate manner. Despite the fact that the real situation is substantially different from what is believed, 'learning' continues. Implications are drawn from environmental events and succeeding altered organizational actions (Rice, 1985). As an example of superstitious learning, one only need consider the marketing efforts of most major corporations. While advertising and other marketing efforts doubtlessly have an impact on consumer expenditures, the full extent and nature of their effectiveness remains unknown. Indeed, it could be easily argued that the marketplace is actually indifferent to much advertising, and that advertising expenditures are based as much on superstition as on fact.

In sum, most forms of organizational learning are adaptively rational (Comfort, 1985). As viewed by March (1982), they allow organizations to identify good alternatives for most of the choice situations they will encounter. However, March further observes that the organizational learning process can produce some surprises:

> If goals adapt rapidly to experience, learning what is likely may inhibit discovery of what is possible. If strategies are learned quickly relative to the development by competence, a decision maker will learn to use strategies that are intelligent given the existing level of competence, but may fail to invest in enough experience with a suboptimal strategy to discover that it would become a dominant choice with additional competence. (March, 1982, p. 35)

While such derivations are unlikely to occur frequently, they do provide a link between the organizational learning process and surprising results.

ORGANIZATIONAL DECLINE

Over the past decade, organizational decline has emerged as a major research topic in organization theory. Building from a small base (Whetton, 1980a), research interest

in this area has grown tremendously (for a bibliography see Zammuto, 1983). Traditionally, most general theories of organization have reflected inherent biases in favor of growth. These biases have proven quite dysfunctional for managers who must deal with declining organizations. Mounting research clearly indicates that the effects of growth and decline on organizations and their members are asymmetrical (Zammuto, 1982b).

Current interest in decline can be largely traced to Hedberg, Nystrom, and Starbuck's (1976) early work on the behaviors of declining organizations in their transition from growth to non-growth. Building on this base, present research has primarily focused on both the sources and dynamics of decline (Kaufman, 1985). The following review will center on these two subjects.

Sources of Decline

In general, the types of crises that, if responded to improperly, precipitate organizational decline can be classified as either internally or externally generated. That is to say, crises may be classified as originating from either deficiencies within an organization itself or from sudden and unpredictable events or changes in an organization's environment. Whetten (1980b), building on Levine (1978), has developed a particularly useful typology for examining both internally and externally generated sources of decline. The four sources of decline which he has identified are (1) organizational atrophy, (2) vulnerability, (3) loss of legitimacy, and (4) environmental entropy. Research into these sources has been uneven.

Organizational atrophy

Unless appropriate counteractions are taken organizational atrophy is a phenomenon to be expected in any organization (Levine, 1978). It results from the breakdown of an organization's internal operating systems, leading to declining performance and weakening productive capacity. Attempts to understand why organizations are vulnerable to internal atrophy and its consequences are being made. Most impressive in this regard is the continuing work of Nystrom and Starbuck (1984a, 1984b; Starbuck 1983, 1985). Their findings suggest that many organizations fall victim to atrophy as a consequence of their accumulated past successes. Bolstered by recollections of former triumphs, they create action generators (automatic behavior programs that are similar to routinized or scripted behavior of individuals) that go unchallenged long after their usefulness has expired (Starbuck, 1983). As a consequence of clinging to inappropriate beliefs and perceptions, atrophic organizations act non-adaptively most of the time. Nystrom and Starbuck (1984a, 1984b) contend that organizations must unlearn these cognitive structures if they are to survive.

Vulnerability

Vulnerability, the second source of organizational decline identified by Whetton (1980b), is an internal property indicating a high level of fragility that limits an organization's capacity to resist environmental demands. Factors contributing to

vulnerability include small size (Dalton and Kesner, 1985a), internal conflict (Gilmore and Hirschhorn, 1984; Krantz, 1985), and changes in leadership (Gilmore and Hirschhorn, 1983). Evidence suggests, however, that an organization's age may be the strongest predictor of its vulnerability. Young organizations are more likely to be vulnerable than their older counterparts because they lack initial legitimacy to claim resources, have yet to develop a wide range of adaptive skills, possess a limited capacity for learning, and wield only limited environmental influence (Storey, 1985; Wiewel and Hunter, 1985). The research in this regard is lengthy and virtually unequivocal (see, most recently, Aldrich and Auster, 1986; Altman, 1983; Carroll, 1983; Carroll and Delacroix, 1982; Delacroix and Carroll, 1983; Freeman, 1982; Freeman, Carroll, and Hannan, 1983; Hannan and Freeman, 1984). This is not to say, however, that a wide range of factors (e.g. elite sponsorship, government support in the form of subsidies or favorable tax laws, etc.) cannot mitigate selection pressures associated with youth (DiMaggio and Powell, 1983).

Loss of legitimacy

Loss of legitimacy represents a third source of decline. Organizations seek to maintain a congruence between the social values associated with their activities and the standards of acceptable behavior in the society of which they are a part (Dowling and Pfeffer, 1975). When a disparity exists between the two, there will exist a threat to organizational legitimacy. This threat may take the form of legal, economic and other social sanctions. Loss of legitimacy can thus have direct consequences for an organization's continued existence. Perhaps most significantly, failure to establish and maintain legitimacy will immeasurably inhibit an organization's ability to deflect criticism and obtain resources and other support from its surrounding environment (Berger, 1981). The exact process by which society views an organization as proper and worthy of support — that is, as legitimate — remains unexplored. It is a topic greatly in need of empirical research.

Environmental entropy

The fourth source of decline, environmental entropy, occurs when the capacity of an environment to support an organization at an existing level of activity is no longer adequate. This kind of decline typically results from market and technological shifts that render ineffective an organization's established processes of self-maintenance. The decline in demand for domestic textiles and steel provides two examples of market shifts that have prompted increased entropy in a number of economic sectors. The greatly diminished demand for mechanically based products and systems as a consequence of advancements in electronics and software would exemplify a technological shift that has given rise to similar entropy.

Based on a review of the relevant literature, Zammuto and Cameron (Zammuto, Whetten, and Cameron, 1983; Zammuto and Cameron, 1985; Cameron and Zammuto, 1983) have proposed an integrative model depicting four different types of environmental decline resulting from entrophy (see Figure 1.2). The four types vary by (1) type of change in ecological niche configuration (size versus shape) and (2) the continuity of change (continuous versus discontinuous). Organizations that

encounter continuous decline in the size of their ecological niche experience 'erosion'. Those that encounter a discontinuous decline in their niche's size experience 'contraction'. 'Dissolution' is experienced when a continuous change in the shape of a niche occurs. Finally, 'collapse' refers to a rapid, unanticipated shift in an organization's existing niche and the emergence of a new niche. Zammuto and Cameron's (1985) model is important because it suggests that different types of environmental entrophy result in diffenent types of organizational decline. Moreover, it underscores that to survive and prosper, organizations must select domain strategies that address the challenges presented by different environmental conditions.

Dynamics of Decline

A declining organization encounters many difficult challenges. Most notably, decline induces changes in virtually all relationships within an organization and between an organization and its environment. Research on the various organizational processes affected by decline has been uneven. It has ranged from theoretical models of organizational responses to scarcity (Nottenburg and Fedor, 1983) to analyses of stress caused by budget cuts (Jick, 1983) to suggestions for managing organizational retrenchment and death (Harris and Sutton, 1986; Robinson, 1985). The following review will survey findings on the two organizational attributes which have received the most attention in the decline literature. These are top management leadership and workforce composition.

Top management leadership

One nearly universal generalization emerges from the literature on organizational decline. Research supports the view that a declining organization's successful turnaround is dependent on the replacement of its current leadership (top management). Both recent case (Kothari and Near, 1982) and policy (O'Neill, 1986)

CONTINUITY OF ENVIRONMENTAL CHANGE

	Continuous change	Discontinuous change
Niche size	Erosion	Contraction
Niche shape	Dissolution	Collapse

Figure 1.2 A model of environmental decline
Source: based on Cameron and Zammuto (1983), Zammuto, Whetten, and Cameron (1985), and Zammuto and Cameron (1985)

studies offer similar results. These results are consistent with research extending back at least a decade (Hofer, 1980; Khandwalla, 1981, 1983–1984; Schendel, Patton, and Riggs, 1976; Starbuck, Greve, and Hedberg, 1978). It is generally held that outside recruitment of top management is associated with the introduction of novel viewpoints and practices (Dalton and Kesner, 1983, 1985b). New top-level managers are not shackled to existing administrative patterns and resource allocations. By voicing their opinions and questioning old knowledge, new managers can trigger organizational learning. The exact manner in which new top-level managers prompt organization recoveries deserves further research (cf. Hambrick, 1985; Tushman, Virany, and Romanelli, 1985). Especially intriguing would be a more complete understanding of what the popular press has labeled 'masters of the corporate turnaround' (Cole, 1983; Eklund, 1986).

Workforce composition

One of the most disturbing effects of decline is that while voluntary turnover of all employees typically increases, it is usually the most qualified (hence mobile) employees who leave first (Greenhalgh, 1983a, 1983b). The net consequence is a 'regression to the mean' in labor pool qualifications (Whetten, 1981). Between the human resource management and business policy literatures, this dilemma has been dealt with extensively. While general economic conditions will affect the extent to which more valuable workers exit (Levine and Wolohojian, 1983; Levine, 1984), it is generally reasoned that those most qualified do not want their record marred by failure and are drawn away by attractive job alternatives in more prosperous organizations. Thus, those employees with the greatest potential for turning around a declining organization see little incentive for making the effort. Case evidence suggests, however, that there are at least two exceptions to this pattern: (1) high-quality employees who are extremely loyal, and (2) better employees retained by promises of equal or better positions in a parent organization (Sutton, 1983). The more prescriptive business policy literature echoes the importance of enacting this second exception (Harrigan, 1984).

Perhaps the most extensive outline of a role for human resource management in a declining organization has been provided by Ferris, Schellenberg, and Zammuto (1984). Taking the Cameron and Zammuto (1983) model of environmental decline, they have developed a model identifying different roles and responsibilities within the human resource function under different conditions of environmental decline. Although the model must still be tested, it clearly suggests that organizations must take into account the capacity of their human resource managers in implementing strategic responses to decline.

Clearly, gaps yet remain in our understanding of how to manage human resources more effectively in a declining organization. Improvements in our understanding of ways to prevent the exit of key employees are especially needed. Drawing on case analyses of the declines experienced by companies such as Continental Illinois Bank and Itel Corporation, Perry (1984) suggests that in addition to increasing career opportunities in order to reduce ill-timed employee exit, organizations should strive to reduce organizational uncertainty by creating the impression that survival is guaranteed or turnaround is imminent. He indicates that this can be accomplished

in numerous ways. Perhaps the most powerful means involves creating a new organizational image. In one example, he cites Lee Iacocca as spokesperson for the advertising campaign that introduced 'The New Chrysler Corporation'. Regardless of the means chosen for countering key employee loss, it is generally acknowledged that how an organization treats its employees during stressful periods is of critical importance to its long-term health (Smith, 1982).

Although the preceding review has focused on the two organizational attributes which have received the most attention in the decline literature, others should not be ignored. As identified by Greenhalgh (1983a), other major organizational attributes affected by decline include various structural properties, e.g. formalization, centralization, differentiation (Cullen, Anderson, and Baker, 1986), and administrative intensity (Goh and Evans, 1985); slack, meaning a surplus of resources over what is required to maintain equilibrium in an ecological niche; adaptive innovation (McKinley, 1984); and relationships with employees, unions, competitors, and regulatory agencies. A more complete understanding of the complex interrelated processes that occur during decline would enable a more complete response to be made to questions such as (Wilson, 1985), 'Which organizations will die?' 'Which survive?' 'What can be done to revive a wounded organization?' and 'Why did this organization decline or, in transmigrating, become a different creature?'.

CONCLUSION

A review of the literature in four topic areas in which substantial scholarship has been conducted recently suggests that the organization theory field is alive. Important work is being conducted not only in such traditional strongholds as Great Britain and the United States, but throughout Europe, Canada, Australia, Israel, and Japan. However, if the field is alive, does this (as our opening sentence suggests) mean that it is also well? In the eyes of some, the answer to this question is less certain. Organization theorists, they concede, are undoubtedly investigating important issues, but they yet wonder whether the field is progressing as a result of such investigations. As in so many other instances associated with organization theory, different opinions have emerged (Donaldson, 1985). Based on the preceding four-part literature review, the position advanced here is that progress is being made; perhaps not as quickly as some might wish, but nevertheless advances have been real. Indeed, over the past four decades, organization theory has emerged as a purposeful, coherent area of study with its own criteria and traditions.

This emergence and its accompanying progress are manifest in several ways. First, organization theorists are interested in an ever-increasing number of phenomena and are exploring these phenomena in a greater variety of ways. There are strong incentives for researchers to 'create intellectual novelty and pursue distinctive paradigms' (Astley, 1985b, p. 504). Given its multidisciplinary roots, the organization theory field has resisted advancing a given world view or a single preferred analytical perspective. This has contributed greatly to the dynamic and pluralistic growth of organization research. Moreover, it has served as a substantial safeguard against academic isolationism and conceptual stagnation.

A second manifestation of progress is the many efforts to relate organization theory to developments in other areas, especially business policy/strategic management and

industrial economics. The resulting cross-fertilization of ideas has led to a wide range of issues being studied and to the development of differing methods of research. Boundaries which were once clearly labeled organizational sociology, industrial economics, business policy/strategy management, public administration, and so on, are now quite vague.

A final manifestation of progress is the growing international exchange of knowledge concerning organizations. The international editorial board of the relatively new journal *Organization Studies*, published by the European Group for Organizational Studies (EGOS), is one sign of an excitement and vitality that transcends national boundaries. In the United States, an increasing internationalization of the Academy of Management's Organization and Management Theory Division is another. Both efforts have been supported by an international emphasis long evident in traditional research outlets such as the *Administrative Science Quarterly*, and their newer counterparts such as the *Journal of Management*.

Attention to such progress is not meant to suggest that there are no reasons for concern. As suggested in the instance of organizational effectiveness studies, too often it seems that the popularity of research themes has either grown or declined in direct proportion to their marketability rather than the degree to which basic issues have been resolved and critical phenomena understood.

One consequence of this tendency to focus on 'hot' topics is what some see as an extreme iconoclasm resulting in an unhealthy fragmentation of the field (Astley, 1985b). Instead of that being a tendency to build on previous findings, a vogue seems to exist in some quarters that encourages a preoccupation with 'fad and fashion'. As Staw (1985, p. 97) has observed, this would seem to explain why a measure of organization theory research tends to be 'literature driven' rather than problem driven. One predictable consequence is that much organization research is non-cumulative and non-communicable across quarters. Needless to say, such difficulties have led to substantial and frequent disagreements. Confusion and controversy, however, are traditionally characteristic of a new and growing field of study. In this regard, organization theory has been no exception.

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