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978-0-521-47917-2 - American Anti-Management Theories of Organization: A Critique of Paradigm Proliferation

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1 Anti-management paradigms in organization theory

An overview of the problems

Presently in the United States there is concern that the country's economic performance is slipping, especially relative to international competitors such as Japan. This is in a way surprising since US organizations have had the benefit of being able to draw on a large body of organizational theory and research generated in US universities. However, US academic work on the topic of organization structure has become afflicted of late by an outbreak of irrationality. The topic area is now subject to several very different theoretical views which fragment the field and these are accompanied by a lack of cumulation in research. As a result there is now no unified, coherent view of organizations which can be offered to students or to managers to guide their endeavours. Moreover, organizations themselves are frequently depicted in contemporary US organization theory as irrational, and in a manner which is quite cynical. Similarly, managers are widely depicted in contemporary US academic writings in a negative light, as resisting change, as playing politics or as self-aggrandizers. Thus, instead of being able to help US organizations in their current plight, the US academic organization theory scene is in disarray and is more likely to repel managers than to aid them.

This book offers a critical discussion of recent trends in US academic work on organizations. It argues that many of the recent developments are unhelpful to managerial practitioners and are of dubious value in university management schools. Moreover, it shows that much of the academic work in the United States is scientifically wanting, lacking in theoretical coherence and often at odds with evidence from empirical studies of real organizations. The source of the increasing fragmentation in US organization theory is not genuine scientific development, but rather a push for novelty fuelled by individual academic career interests. Influential also is the tendency for organizational scholars, even if working in schools of business or management, to seek approval from disciplines such as sociology or economics which carry with them attitudes and values quite antithetical to business and management.

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Fragmentation of the field

The focus of the present work is US theories of organizational structure. By organizational structure is meant the set of relationships between people in an organization, including the authority relationships and control systems, and including also the informal organization. Prior to the contemporary period of intellectual fragmentation, there was a unifying theoretical paradigm in US organizational structural theory, and this was structural contingency theory (e.g., Lawrence and Lorsch, 1967; Thompson, 1967). This held that organizations adapted their structures in order to maintain fit with changing contingency factors such as size, technology and strategy, so as to attain high performance (Chandler, 1962; Blau, 1970). The implied role of management was vague but positive. Managers orchestrated this adaptation of organizational structure to its changing contingent circumstances, reflecting in turn changes in the environment, and thereby sought to maintain a high performance for their organization (Chandler, 1962; Blau, 1970). However, managers lacked accurate knowledge to guide their efforts and so research on organizational structure, when fed back through education and the like, would assist management attain structural fit more quickly and more exactly, thus avoiding performance loss for the organization (Woodward, 1965). Academics were to be collaborative partners with management. And both management and academic research were seen as rational collective enterprises. The study of organizational structure was guided by the unifying framework of the contingency approach, and the task of theory-building and empirical research was to refine this approach (e.g., Khandwalla, 1973, 1977; Reimann, 1974).

However, structural contingency theory came under increasing attack in the USA from about 1970 onwards as part of a development which has been hailed as a break-up of the paradigm. From around the mid-1970s, there arose not one but several new paradigms, each challenging structural contingency theory and offering a view on organizations and organizational structure which differed radically from structural contingency theory (see Davis and Powell, 1992). The newer organization theories in the USA mainly decry or deny structural contingency theory and its attendant picture of organizational rationality and managerial benevolence. Four major new paradigms in US organizational structural theory can be distinguished: population-ecology theory (Hannan and Freeman, 1977; Aldrich, 1979), institutional theory (Meyer and Rowan, 1977; Zucker, 1977), resource dependence theory (Pfeffer and Salancik, 1978) and organizational economics (meaning here agency theory and transaction cost theory) (Williamson, 1975; Jensen and Meckling, 1976). Each of the newer paradigms explicitly or implicitly repudiates structural contingency theory.

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There are interconnections among these four theoretical views as well as sharp differences.

Population-ecology theory holds that the primary mechanism of organizational change is not purposeful adaptation by the individual organization, as held by structural contingency theory, but rather the Darwinian process of selective death and birth, so that change occurs at the population level with maladapted organizations dying out and being replaced by better-adapted young organizations (Hannan and Freeman, 1977). Population-ecology theory is pursued through a research literature which contains its own technical vocabulary, mathematical models and novel statistical procedures (Hannan and Freeman, 1989), making it a research paradigm to a degree inaccessible to many other organizational scholars.

Institutional theory holds that organizational structures are not primarily shaped by the task environment contingencies, but rather by the need to fit with preconceived notions in the wider community about forms of organization which are legitimate, effective and rational (Meyer and Scott, 1983; Powell and DiMaggio, 1991). Thus organizations are presented to outsiders as conforming normatively, sometimes via surface-level or facade structures only loosely connected to the operating levels, which retain different structures (Meyer and Scott, 1983). Since institutional theory is mounted largely as a rejection of structural functionalism and structural contingency theory, the emphasis is on normatively prescribed structures which are different from the structures actually required for operational effectiveness.

Resource dependence theory holds that organizations are dependent upon external resources and seek to manage them through a variety of means (Pfeffer and Salancik, 1978). It is premised on a rejection of the idea that the organization is a rational instrument for goal attainment (Pfeffer and Salancik, 1978), which is central to structural functionalism and to structural contingency theory (Parsons, 1961; Chandler, 1962; Donaldson, 1985a). A closer examination reveals that the theory is a political model of organizations that gives primacy to maintenance of autonomy by the organization (Pfeffer and Salancik, 1978).

Organizational economics is composed of agency and transaction cost theories of organization (Jensen and Meckling, 1976; Williamson, 1985). These are both based on the discipline of economics, using its concepts and language. Agency and transaction cost theories have in common that both draw upon the model of men and women as untrustworthy, devious and pursuing their own self-interest to the detriment of the organizational collective (Jensen and Meckling, 1976; Williamson, 1985). In agency theory this refers to the agents misusing the discretion which has been delegated to them by the principal to benefit the agents themselves while deceitfully

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harming the interests of the principal (Jensen and Meckling, 1976). In organizational applications of agency theory, the principal is the owner while the agent is the manager who controls but does not own the corporation. Agency theory holds that losses to the principal can be stemmed by closely controlling the agent, through monitoring and sanctioning, or through bonding (Jensen and Meckling, 1976). Transaction cost theory similarly sees a failure of market discipline in the large corporation such that middle managers self-aggrandize through excessive salaries and perquisites and so on. This 'opportunistic' behaviour can be curbed by setting up a multidivisional structure in which corporate staff vigilantly monitor the divisions on behalf of the corporate centre – the M-form corporation (Williamson, 1970). Thus organizational economics theory sees managers as untrustworthy and as requiring controls from superordinate levels in the organization.

It has become quite conventional in the United States to distinguish different paradigms in organization theory and to see the field as a multiple paradigm science (Daft, 1980; Pinder and Moore, 1980; Ritzer, 1980; Davis and Powell, 1992). The newer organization theories may not refer to themselves as paradigms, but they function as paradigms in that they each take axioms radically different from structural contingency theory, and from each other, and construct a distinct set of theoretical ideas in their own language, often accompanied by distinct methodologies and rules of evidence (Aldrich, 1992). Thus theories are paradigms in the Kuhnian sense that they are mutually antithetic theory statements and languages, which tends to make them incommensurable with each other. Each paradigm has its own set of adherents, that is, there are distinct paradigm communities (Kuhn, 1970). It is logically possible to break down the incommensurability and link ideas across the paradigms into integrated theories (Lawrence and Dyer, 1983; Kaufman, 1985; Singh *et al.*, 1991). However, this process is resisted by each of the theory communities, which to a degree choose to develop their ideas in a way that makes them most different from the other theory schools and thus preserves their distinctiveness and thereby their status as a paradigm (Aldrich, 1992). This leads to several problems for present-day organization theory.

The present malaise in organization theory

Contributing to a discussion of modern trends in organization theory, Aldrich (1992: 17) confesses at the outset:

Indeed, I considered at least two alternative titles for my paper: 'Confessions of a disillusioned positivist', and 'Pursued by the post-modernist panic'. The first title

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reflects my sense that the promise of the 1960s – when organizational sociology began a substantial expansion – remains unfulfilled. The major research programs generated by enthusiastic teams of investigators ultimately did not spawn the long-term cumulative growth of theorizing and research glimpsed as a possibility in 1970.

Aldrich sees organization theory research as not having built up a solid, cumulative body of knowledge, and thereby having failed the expectations of the science-building sixties. There is therefore no coherent, integrated body of knowledge to be taught to students and to offer as guidelines to managers with pressing, practical problems.

The difficulty in American organization theory lies not at the localized level of a particular theoretical proposition or methodology or study, but at far more fundamental levels. The field is constituted by several mutually incompatible theoretical paradigms. They each negate rather than build on earlier work, especially of the structural contingency theory sort. We see three levels of problem here. *The first problem is the fragmentation into distinct paradigms and consequent lack of an integrating theoretical framework. The second problem is that each of the paradigms is itself limited and flawed. The third problem is that the rejection of the previous paradigm of structural contingency theory which each newer paradigm makes is overdone and in error.* The task of this volume is to give critiques of the excessive proliferation of paradigms, and of each of the main, newer theoretical paradigms of organizational structure and their rejection of structural contingency theory. Our inclination will be towards synthesis of the various paradigms into a more unified view, and the possibilities for such integration will be addressed. However, this integration is far from a ready or easy task.

In contemporary American organization theory the newer theoretical perspectives which will be examined here are those which have rejected previous structural contingency theory and which thereby have become major theoretical paradigms. This does not cover all recent American developments, many of which seek to build on structural contingency theory and thus facilitate cumulation and integration of the field. A long list of fruitful, scientifically sound and programmatically incrementalist contributions from contemporary American organization researchers could be made (see pp. 13–15). Important as such work is, nevertheless much of modern American work is in the vein of the newer paradigms. The latter work takes a high profile, catching attention and creating drama. And the newer paradigms tend to stand out and dominate the landscape, capturing interest and defining the contours of the field. Accordingly, our discussion will focus thereon to seek to challenge their definitions of the field of organization studies.

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The context

The main forms of intellectual endeavour are shaped by the guiding preoccupations of the intellectual communities within which the discussions take place. At the risk of considerable oversimplification, some preliminary observations on contemporary organization studies can be made by distinguishing between a European and a North American tradition.

In European organization studies of the past two decades, a dominating agenda has been politics (Mannheim, 1936). Numerous European writers on organizations have had as their primary *animus* and drive the programme of the 'New Left'. This has meant that the primary mission of professional intellectuals has been to criticize organizations as capitalist and therefore immoral (Salaman, 1979). The allied critique of organization theories is that they are capitalist in origin, effect and moral colouring (Clegg and Dunkerley, 1977, 1980). This left-leaning political programme has underlain the highly critical tone of much writing and the explicitly neo-Marxist nature of some analysis (Clegg and Dunkerley, 1980). It has also had an influence on less politically extreme contributors (Child, 1969, 1972a; Silverman, 1970; Burrell and Morgan, 1979; see Donaldson, 1985a).

In North America the dominating agenda has been different and is centred on individualistic competition over careers. As Durkheim (1964) explained, specialization is promoted by the desire of each person to differentiate themselves from the mass and thereby to create their own niche in which they enjoy a monopoly. One would predict from Durkheim that the country with the largest number of professional researchers into organizations, the USA, would display the largest degree of competition and of attempts at differentiation. As expected, one finds that in America the organization analysis scene is multidimensional, complex and rapidly changing. The overwhelming impression is of pluralistic diversity. Given the American national ethos of the virtue of America being a pluralistic society, calling any branch of American scholarship 'pluralist' hardly invites critical scrutiny. However, the present degree of pluralism in US organization theory is excessive and harbours severe problems of incoherence, lack of cumulation, cynicism, faddism and despair that anything of lasting worth can be accomplished.

Further, the aspiration for novelty is fuelled in America by the strong value placed on the new rather than the old, and on the future rather than the past. Anthropologists (Kluckhohn and Strodtbeck, 1961: 15) have remarked on this as a characteristic of American society compared with others. In part this may reflect a society whose prevailing public tone is optimism and progressivism. European commentators (e.g., de Tocqueville, 1945) have long remarked on the rapid, restless pace of life in America,

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and the constant waves of new experiments and fashions. In some ways, this signifies a healthy creativity and a throwing off of Old-World inhibitions but it may also lead to faddism. The eminent Russian *émigré* sociologist, Pitrim Sorokin, was moved to write critically of fads and fashions in American social analysis (Sorokin, 1956). He also criticized the American readiness to forget earlier work in the rush to present innovations that were often not new discoveries and were inferior to the earlier work which they would supplant. In similar vein, observers of the USA have warned of the dangers that social thought in such a democratic society will fluctuate wildly as public opinion changes, being at once socially responsive but lacking long-run responsibility to the society (Bloom, 1987).

Rieseman (1950) paints a picture of contemporary American society as mobile and rootless, composed of individuals who are bereft of strong personal character, the inner-directed personality of an earlier America, and are rather 'other-directed': tuned into the norms of whichever group they are temporarily members, their sensors finely calibrated to pick up changing tastes and demands as signalled through vigilant and ever-present mass communications media.

The problem of novelty-seeking in organization theory

One can apply the Rieseman–Sorokin analysis to US organization theory. As one reads the literature of the middle and late eighties on organization structure, a highly critical treatment of structural contingency theory and its associated findings and methods seems almost to be *de rigueur* (Zey-Ferrell and Aiken, 1981). Few Assistant Professors would risk their reputation or the chance of acceptance of their own work by prefacing it with a positive appreciation of previous research in the structural contingency mould. When the intelligentsia discourse with each other on matters of organization structure, the shared appreciation of structural contingency theory is critical. To advance any other evaluation is to be seen as an *ingénue* – strong temptation then to see the structural contingency theory paradigm as in crisis or defunct, that a new paradigm is needed and to declare oneself for a new paradigm.

In US organization theory there are many new paradigms and newer ones are introduced frequently. Since around 1967 at least fifteen new paradigms have been launched, all with implications for the explanation of organizational structure: interorganizational theory (Evan, 1966), ethnomethodology (Garfinkel, 1967), enactment theory (Weick, 1969), cybernetics (Hage, 1974), transaction cost theory (Williamson, 1975), agency theory (Jensen and Meckling, 1976), population-ecology (Hannan and Freeman, 1977), institutional theory (Meyer and Rowan, 1977; Zucker, 1977),

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Marxism (Goldman and Van Houten, 1977), resource dependence theory (Pfeffer and Salancik, 1978), organizational symbolism (Smircich, 1983), organizational cultures (Fine, 1984), feminism (Ferguson, 1984), emotionalism (Sutton and Rafaeli, 1988) and post-modernism (Mumby and Putnam, 1992). On average a new paradigm is offered every second year. This paradigm proliferation process is mitigated to a degree by textbooks which tend to conserve previous contributions and change only incrementally, gradually incorporating the new paradigms (e.g., Daft, 1986; Bedeian and Zammuto, 1991).

Pfeffer (1993a: 616) comments on the increasing lack of unity in organization theory:

Theoretical and methodological diversity may be adaptive as long as there is some agreement over fundamental goals and on a set of rules to winnow the measures, methods, and theories on the basis of accumulated evidence. In the study of organizations, there appears to have been more agreement on these issues in the past than there is at present, when almost every aspect of the research process is contested.

A diversity in ideas and in methodology can be useful to the field as long as the diversity can be resolved at some point. The question is whether the social structure and organization of the field encourage resolution of diverse ideas or the continued particularistic advancement of separate agendas, often with explicitly political undertones. At present, I believe that the field encourages the development and advancement of differences and separate agendas rather than attempts at integration or resolution. More than 10 years ago, I (Pfeffer, 1982: 1) argued that 'the domain of organization theory is coming to resemble more of a weed patch than a well-tended garden. Theories . . . proliferate along with measures, terms, concepts, and research paradigms. It is often difficult to discern in what direction knowledge of organizations is progressing.' The situation has not changed, and, if anything, there are [*sic*] now more diversity of ideas and measures and more contention over the rules for organizational science than there were [*sic*] a decade ago.

Pfeffer (1993a: 612) explains this increasing fragmentation, in part, by the value placed on novelty and professional rewards for proliferation rather than consolidation:

Journal editors and reviewers seem to seek novelty, and there are great rewards for coining a new term. The various divisions of the Academy of Management often give awards for formulating 'new concepts' but not for studying or rejecting concepts that are already invented.

Two other American academics, Mone and McKinley, have written in similar vein. They state that there is a 'uniqueness value' that governs the organization studies literature (Mone and McKinley, 1993: 284). This 'prescribes that uniqueness is good and that organization scientists should attempt to make unique contributions to their discipline' (284). They document the presence of this uniqueness value in the statements of

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authorities (e.g., Weick, 1969; Davis, 1971; Astley, 1985a), editors of leading journals (e.g., *Administrative Science Quarterly*, *Academy of Management Review* and *Organization Science*), in the review forms used to rate journal submissions and by special issues of journals that are aimed at encouraging unique work (286ff.).

Mone and McKinley (1993) see positive benefits of this uniqueness value, such as innovativeness, adequate representation of complexity and freedom of inquiry. However, they see also disbenefits of disciplinary fragmentation, lack of standard concepts that frustrates generalization, information overload on readers of the literature and lack of replication that precludes validation. The uniqueness value is seen as being self-reinforcing, through rewards and through altering individual beliefs about the meaning of “good” research (Mone and McKinley, 1993: 292). The result is a field fragmented into a number of paradigms which thereby becomes less influential than it might be:

we view the lack of integration across paradigms as a threat to advances in organizational knowledge. Perhaps business and government decision makers rely infrequently on organization scholars not because of our lack of relevance, fresh methods, and up-to-date topics (as suggested by Daft and Lewin, 1990; Lawrence, 1992) but because of the status of the findings in organization studies. This status could be partially attributable to the consequences of the uniqueness value . . . [This value] may be channeling behaviour in directions that are dysfunctional for the field. (292)

Mone and McKinley (1993: 293) also identify a possible divergence of interests between the individual scholar and the field, expressing the concern that individuals may gain at the expense of the field.

The value of novelty will encourage some organizational academics to champion new paradigms, thereby becoming the thought leaders. Simultaneously the value placed on novelty and the other-directed conformity ethos will cause other organizational academics to become enthusiastic, uncritical followers of the new paradigms. To the degree that these social processes influence the American academic community, there is reason to fear faddism, superficiality, conformism and a calculating type of product differentiation lacking any genuine intellectual grounding. This implies that contributions will not individually stand up to probing analysis, and that collectively such contributions will not cohere in a cumulative body of knowledge.

There are real costs to a proliferation of paradigms in a field. The development of a new paradigm in an existing field is conventionally welcomed as healthily increasing pluralism, which can potentially lead to quantum leaps in theoretical understanding through paradigm revolution (Kuhn, 1970). Ultimately one can never predict new knowledge (Popper,

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1945), so the only way to ascertain whether a new perspective will be fruitful is to pursue it. Any rejection of a new approach *a priori*, before it has been given a fair trial, would be unscientific and also incompatible with democratic ideals. While accepting all of this, it has to be recognized that the advantages of new paradigms and an increasing intellectual pluralism also entail some disadvantages.

All human beings are boundedly rational in their cognitive processes (Simon, 1965), possessing limited amounts of time, attention and information-processing capacity – and this even applies to academics. The more new paradigms, and the more frequently a field has to learn and appraise a new paradigm, the less intellectual capacity is available for prosecuting the existing paradigm or paradigms. Paradigm attention is a zero-sum game. This means that paradigm proliferation shifts resources from paradigm consolidation towards novelty. At worst a field moves from sustained, systematic study to a succession of mere fads. This delays the development of a firm body of knowledge – with detrimental consequences for the standing of the profession (Mone and McKinley, 1993; Pfeffer, 1993a). With the constant rush to the next new paradigm the consequence is half-finished research programmes, as exemplified by structural contingency theory, where decades of research have left a literature widely perceived as containing unresolved theoretical problems and empirical inconsistencies (e.g., Pennings, 1975; Kimberly, 1976). Reference to such problems is a standard argument for embarking upon the next new paradigm (e.g., McKelvey and Aldrich, 1983) but this argument can be self-defeating, precluding the completion of any research programme.

Moreover, a field with a large number of paradigms is difficult for newly entering professionals to master – doctoral students are also boundedly rational. Doctoral students ‘are confronted with a morass of bubbling and sometimes noxious literature. Theories presented are incompatible, research findings inconsistent, and the general body of knowledge often indigestible.’ (Zammuto and Connolly, 1984: 32) In practice there will be a tendency for them to learn only some of the paradigms with any degree of depth and sympathy. Faced with such bewildering diversity, they may well be tempted to learn only the newer, seemingly more exciting and promising paradigms at the expense of the old (which often have all that attendant, tedious empirical literature ‘which never got anywhere’). In this way, older paradigms, however truthful, can fall into disuse through failure to pass on the cultural traditions from one generation to the next. Thus in turning to the evaluation of any new paradigm in our field, we would do well to be mindful of the inherent costs of paradigm proliferation, as well as, of course, the potential benefits.

Further, all the talk of new paradigms has produced a kind of academic