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ORGANIZATIONS ARE STUDIED by many social scientists (sociologists, psychologists, political scientists, historians, geographers, and anthropologists) and scholars in professional schools (business, education, engineering, industrial relations, law, public health, and public policy). Organizations are of interest to scholars in so many different fields because they have an enormous impact on social life, wielding tremendous power, distributing innumerable benefits, and inflicting enormous damage. All interests—economic, political, social, and cultural—are pursued through organizations. It is only through organizations that large-scale planning and coordination in modern societies—for the state, economy, and civil society—become possible. To understand the world we inhabit, then, we must appreciate the power and scope of organizations. This book defines the features of organizations, traces their rise in history, and explains how research on organizations has evolved. It also offers constructive criticism of existing research and provides “pivots” to direct future research in more fruitful ways.

What Are Organizations?

Organizations are bounded collections of people and material, financial, and information resources. Note, however, that the boundaries of organizations can be fuzzy, as many organizations have many part-time or temporary members. Organizations are also sovereign actors, with legal powers bestowed by the state (Coleman 1974, 1982). This gives them autonomy, allowing them to influence individuals inside and outside their boundaries, the communities in which they operate, other organizations, and society at large (King, Felin, and Whetten 2010). And organizational members have common goals, which they cooperate to pursue over an extended period of time.

Organizational goals are highly heterogeneous because organizations themselves are highly heterogeneous. In business firms and professional partnerships, the goals are typically good financial performance, operational
stability, and survival. In government agencies, the goals are usually peace and national defense, public service, and regulation of the private sector. In educational and scientific institutions, the goals are to teach students and advance knowledge. In non-profit organizations, the goals might involve social improvement, culture, politics, socializing, or professional development. In sports teams and political parties, the primary goal is to win, although there may be secondary goals such as learning how to work as a team or how to be a gracious loser. In religious organizations, the goals might include preaching to and teaching congregants, creating community, spreading the faith, and helping the unfortunate.

Yet organizational members’ goals often conflict. Consider, for example, the classic case of hostile workers and uncaring, rapacious managers. Workers want respect, security, safe working conditions, and good compensation. Managers want to control workers, hire them and let them go at will, invest the least possible in safety measures, and pay the least possible. But both groups have to cooperate to some extent to make whatever the organization is supposed to produce. Conflict also arises between people in different functions and subgroups, who generally have different preferences and goals. For example, people in product engineering and manufacturing prefer product designs that are easy to scale up with existing staff and equipment, while marketing staff want to dazzle customers with many options and new bells and whistles, and financial analysts want to keep costs down. Although ease of production, optional and novel product features, and low costs are almost impossible to jointly optimize, all of these groups have to work together to best meet demand and beat rival firms’ offerings. Despite conflict, organizational members have to cooperate to achieve their goals.

**Why Do Organizations Exist?**

The answer is simple. People create organizations when they cannot achieve their goals by working alone, in small informal groups, in families, or in dispersed social movements. People create organizations when the actions they must undertake to achieve their goals require the joint, sustained, and coordinated efforts of many people, often with specialized skills. Biotechnology firms, for example, need many different kinds of people to finance, develop, manufacture, and sell their human therapeutic and diagnostic products:

- medical specialists, biochemists, and molecular biologists to refine new compounds and discover new processes to produce novel products;
- patent attorneys and other specialists to steer new compounds through the legal approval and patent processes;
• biochemists, organic chemists, and engineers to figure out how to ramp up laboratory-sized production processes to commercial scale;
• sales people conversant in human biology and biochemistry to explain the benefits of new compounds to physicians and to the functionaries of the insurance companies and health-maintenance organizations that oversee physicians’ prescription decisions;
• experts in managerial accounting and capital budgeting to keep the whole enterprise from spiraling out of control;
• strategists to plot future moves; and
• human-resources staff to find, hire, train, socialize, and evaluate everyone above.

In biotech firms, no single person could accomplish all of these tasks alone. Coordinating the actions of all of these people requires structure to yield agreed-upon patterns of behavior: defined roles, decision-making processes, and rules.

In this chapter, I explain why organizations are important. Then, I provide a general description of organizations’ features and their environments. After that, I outline the rest of the book.

Why Are Organizations Important?

Organizations are the basic building blocks of modern societies (Boulding 1953; Coleman 1974, 1982; Perrow 1991). From birth to death, the lives of people in modern societies play out in organizations. U.S. President Rutherford B. Hayes (1922 [entry for May 11, 1888]) recognized this over a century ago (May 11, 1888) when he wrote in his diary, “This is a government of the people, by the people, and for the people no longer. It is a government of corporations, by corporations, and for corporations.” Four decades earlier, the French observer Alexis de Tocqueville marveled at the ubiquity of civic and social organizations: “Americans of all ages, all conditions, and all minds constantly unite. . . . [I]f it is a question of bringing to light a truth or developing a sentiment with the support of a great example, they associate” ([1848] 2000: 489).

Sociology operates at the intersection of biography and history in social structure (Mills 1959). This means that your life story is not just the product of your individual choices, but also of larger structures (like school systems, laws and regulations, employment relations, and social welfare systems) that have their own histories. For this reason, sociologists are concerned about the tension between structure and agency, between the “thingness” of societies that make them powerful forces in our lives and the power of people to alter societies through individual and collective action (Friedland and Alford 1991;
Organizations are the keys to unlocking how social structures relate to individual agency and choice. Organizations are both products of society and powerful actors that shape modern societies. Yet, at the same time, organizations are small enough that individuals—such as founders, leaders, and members of activist groups—can and do influence them.

Organizations are ubiquitous. Everyone becomes enmeshed in many different organizations over their life. Consider your own experiences:¹

- You are most likely born in a hospital, attended to by doctors, nurses, and/or midwives who are trained in colleges and universities.
- Your birth is registered in a government bureau of records.
- You are educated in a school system, assigned to a variety of teachers as you progress through elementary and secondary school.
- If you aspire to more than a semi-skilled job, you must earn a college or university degree—increasingly, multiple degrees.
- You are likely to work in a long series of organizations, variously for-profits, non-profits, or government agencies.
- You will buy home furnishings, food, and clothing from retailers whose owners you probably won’t know personally.
- If you marry, the ceremony will be performed in a religious congregation or government bureau and conducted by a religious or government official, and then be registered by a government bureau of records.
- It is quite likely that you or someone you know will be granted a divorce by a court, often with the aid of a law firm.
- Many of you will participate in worship services at a religious congregation.
- Some of you will join social movement organizations to protest societal wrongs and push for political, social, or economic change.
- At your death, most of you will be ministered to by representatives of up to three organizations—a law firm, a religious congregation, and an undertaker.

Organizations wield tremendous power and distribute innumerable benefits. They can do this for several reasons. Most organizations are larger than individuals, in three respects (Coleman 1974, 1982). First, they have more money because they are usually funded by multiple people or other organizations.

¹ This list was inspired by Howard Aldrich’s (1979: 3) list in his book on organizational evolution.
Second, they have more capacity to act because they can draw on the energy of multiple people (members or employees). Third, they can have an impact over longer periods of time because they have potentially infinite lifespans.

Organizations also generally have more power than individuals because they have more alternative exchange partners (Emerson 1962; Pfeffer 1981). For example, you usually have only a few options for internet-service providers, while those providers serve many, many customers. In the U.S., the power of organizations is especially formidable thanks to a long series of judicial decisions that gradually gave official imprimatur to the rights of corporations (Winkler 2018). In the nineteenth century, the courts there bestowed on corporations property rights, including the right to sue, the right of freedom of association (for non-profit corporations only), and the (limited) right against unreasonable search and seizure. Then came rights of personal liberty, including equal protection, due process, freedom of speech, and, most recently, freedom of religion. The legal rights of organizations, including corporations, have been extended in other countries—however, not as far as in the U.S.

Finally, organizations are powerful because they have become fully institutionalized (Zucker 1983). This means that they usually operate in the background, with most people, including government officials, paying little attention to them. Instead, we accept organizations as natural features of the social fabric. As a result of their institutionalization, organizations can persist without substantial effort or mobilization, and without much resistance or contestation (Jepperson 1991). As institutions, organizations create a social order that appears objective and exterior, meaning that it is perceived as shared by you and the others around you (Berger and Luckmann 1967). For example, schools create a social order in which students expect to learn from teachers, not from other students. Classrooms are often arranged so that students’ desks face those of teachers. Even simple organizations consisting of two or three people can be perceived as objective and exterior (e.g., creating a perception of a hierarchy, with newcomers subordinate to old-timers); thus even simple organizations have strong effects on people’s behavior (Zucker 1977). It is true that not all organizations are accepted and uncontested all the time; rather, to paraphrase P. T. Barnum, almost all organizations are accepted some of the time and most organizations are accepted all the time.

Yet there are limits on organizational power. Individuals and small informal groups can mount resistance to organizational actions, with varying degrees of success. The classic example is “goldbricking,” meaning workers slacking off while appearing to work diligently (Roy 1952). Such productivity restrictions are intended to prevent managers from setting ever-higher production standards—a fear that was not unreasonable, based as it was on experience. Today, many workers routinely slack off by surfing the web and sending personal email and text...
messages during what is supposed to be productive time (Lim, Teo, and Loo 2002). Effective resistance to organizations usually comes from other organizations, especially social movement organizations. Three important American examples are the anti-slavery, civil rights, and women’s rights movements (Tyler 1944; Anstey 1975; Morris 1984; Rendall 1984; McAdam 1988; Drescher 2010). Other social movement organizations resisted the dominant form of economic organization, the corporation, by promoting labor unions (Webb and Webb 1920) and cooperatives (van der Linden 1996; Schneiberg, King, and Smith 2008).

The Features of Organizations

If organizations are so powerful, then to counter or support them, we need to understand how they operate. Organizations have both formal and informal features. Formally, organizational structures divide people into work groups and link them together so their efforts will yield more than their individual capacities. Informally, organizations’ cultures and patterns of social relations both reflect and often transcend their formal structures. I discuss each aspect of organizations in turn.

Formal Features

If organizations are the basic building blocks of modern societies, people are the basic building blocks of organizations. But organizations are far more than simple aggregates of individuals; instead, they are complexly structured. To understand organizations’ formal structures, you need to consider several nested levels of analysis: the individual (social, psychological, and economic experiences), the job (task composition, title, status, and autonomy), the work group (goals, composition, structure), the organization (goals, division of labor and formal authority, culture, informal social relations, growth, and performance), the industry (composition, size distribution, and growth or contraction), and the field (composition, underlying logics, and power relations). Figure 1.1 illustrates these levels of analysis.

Organizations need to be organized. To produce things like cars, medical services, or software systems involves the efforts of multiple people. Who should do what? How should tasks be divided into person-sized pieces (jobs)? Both managers and workers are involved in dividing up work into discrete jobs; they “assemble” jobs by applying their technical expertise and work experience, interacting on a daily basis to negotiate who does what and when, and tackling problems as they arise (Barley 1990; Miner 1990; Bechky 2006; Cohen 2013). Over time, stable jobs emerge as tasks are reinforced through repetition.
Individuals (in a job)

Group/organizational subunit

Organization

Industry

Interorganizational field

Competitors

Customers

Suppliers

Government (international, federal, state, local)

Professional and trade associations

Scientific bodies

Figure 1.1. Nested levels of analysis in organizational research
Workers and managers reconcile information, advice, and demands with their own experiences, and interpret what people in different jobs are doing. The job-assembly process is shaped by forces both inside and outside employing organizations (Cohen 2013). Inside, interactions between people holding different jobs affect the set of tasks (task composition) associated with each job and how much status, autonomy, and rewards are associated with each job (Chan and Anteby 2016; Wilmers 2020). Outside, government regulations, occupational norms and rules, unions, and educational institutions all constrain how tasks are bundled into jobs and people are assigned to jobs. Moreover, some jobs involve interacting with people outside job holders’ own organizations, which also constrains those jobs’ status and autonomy.

Once jobs have been assembled, organizations must coordinate employees’ actions to achieve collective goals by managing task interdependencies, meaning the connections between the inputs (money, information, symbols, or material objects) people need to perform their assigned tasks and the outputs they create by performing those tasks (Thompson 1967). Even short-lived organizations like film-production companies have to coordinate shared tasks (Bechky 2006). Task interdependencies are contingent on organizational goals and thus the production, distribution, and administrative technologies used to accomplish those goals. For instance, task interdependencies between workers in a manufacturing firm differ from those between workers in a service firm because the output of manufacturing firms (and therefore of their workers) can generally be stored while the output of service firms generally cannot. Even within the manufacturing sector, there are basic technological differences. Firms in petroleum refining (which uses large-scale, continuous-process technologies like distillation and filtration to move petroleum derivatives through stages of refinement) are subject to very different task interdependencies from firms in automobile manufacturing (which use mass-production technologies like the assembly line to move metals, plastics, electronics, and rubber into place to make vehicles) or firms crafting fine furniture (which use small-batch production technologies involving a combination of manual and mechanical labor to move wood, stone, metals, fabric, and plastics into place to make chairs, desks, beds, tables, etc.).

Organizations handle task interdependencies by grouping workers into units and authorizing managers to supervise them. The manager’s role combines responsibility for making decisions about how to integrate the tasks of the work unit’s members with formal authority and reward or sanctioning power. This is generally an effective combination: the person who is charged with making decisions about how to manage task interdependencies is both held accountable for those decisions and empowered to offer carrots and sticks to motivate people to implement those decisions. But in many organizations,
conflict arises over how to handle task interdependencies, due to ambiguity or uncertainty inherent in the tasks, or to different people’s preferences and interests concerning who gets to do what and who gets to have power over whom (Pfeffer 1981). Chapter 5 discusses how such conflicts are resolved through the use of power.

Decisions about how to group people together have fundamental impacts on people’s attitudes and behavior. First and foremost, grouping necessarily puts some people together and splits other people apart. Grouping creates boundaries around groups and distinctions between groups, thus fostering strong in-group and out-group identities (“us” vs. “them”). This creates an essential paradox in group attitudes and behaviors: the mere act of people categorizing themselves as group members is enough to lead them to favor members of their group over others (Tajfel and Turner 1979, 1986; Tajfel 1982). Therefore, putting people into work groups encourages the coordination of tasks within work groups and discourages the coordination of tasks between work groups.

People in the same work group have a common supervisor and therefore have recourse to someone who can adjudicate difficulties or conflicts that arise from within-group task interdependencies. Being in the same group encourages informal coordination of tasks because members share resources. It is sometimes possible to align group members’ goals by creating group standards and group rewards. All these effects of grouping decisions reinforce the development of strong group identities.

Any task interdependencies that remain after building primary work groups can be managed with other linking mechanisms, such as rules, policies, and standard operating procedures, all of which coordinate and integrate tasks among work units in predictable and stable ways. One rule-based linking mechanism familiar to us all is the set of policies governing who does and does not graduate with an academic degree—how many courses must be taken inside and outside the major field, in what order, and at what level of achievement. These policies require that academic departments, schools, and colleges cooperate and coordinate with each other, to ensure that the courses students need to earn degrees are available. Organizations can also assign individuals and groups to act as connectors between work units (e.g., liaisons and task forces), which is common when work units need substantial contact to make sure their actions mesh successfully.

Finally, there are structures larger than the single organization. First, there is the industry, meaning the set of organizations within some geographic area doing things similar to the focal organization. Second, there is the interorganizational field, meaning the set of all organizations that are connected to the focal organization and its industry, including governmental agencies; professional, scientific, and trade associations; suppliers; customers; and potential employees.
(DiMaggio and Powell 1983). Industries and fields are structured through interactions (networks), ideas (logics), and numbers (distributions of organizations along salient dimensions such as size and target market), which jointly create constraints on and opportunities for individual organizations.

Organizational size and formal features. As organizations get bigger, their capacity for action increases: with more people and more money, organizations can do more things. Consider entrepreneurial ventures. When they are first founded, they are likely to be small and the founders/owners do much of the work, assisted by family members or a few paid workers. If new ventures grow—and there is no guarantee that they will, since bringing in more employees requires resources to pay them, as well as entrepreneurs’ desire for and capacity to manage growth (Aldrich and Auster 1986)—the owners will delegate to others some tasks they previously did themselves, beginning with core tasks, then moving to supervisory and planning tasks. The more new ventures grow, the more their owners will rely on employees to get things done.

As organizations grow, their structures will change in many related ways (Blau and Schoenherr 1971). First and most basically, as the number of workers increases, so will the number of work groups, because supervisors have limited capacities to oversee workers. This will increase horizontal complexity, because the larger the number of work groups, the more managers you need—call them first-level managers. In turn, first-level managers require managers themselves—second-level managers. If organizations grow large enough, they will need third-level managers, and so on. You can see the result in Figure 1.1, which shows four layers of authority, from the top-level manager (with two staff subordinates on the side), a middle and lower level of managers, and front-line workers. Second, as the number of managers increases, power is increasingly decentralized, delegated down the managerial ranks. Third, jobs and work groups will become more specialized, and work groups will become more internally homogeneous (group members will do more similar tasks) but more externally heterogeneous (different groups will do more different tasks). Fourth, organizational structures will become more formally bureaucratic, with the development of standard procedures for managing people, finding and securing inputs, developing new products, seeking new markets for existing products, and dealing with oversight authorities.

Informal Features: Social Relations and Culture

What happens on the ground in most organizations differs from what you would expect if you were to consider only their formal structures. Unofficial practices, rituals, and symbolic objects abound; people in lower-level positions may be shown deference by people higher up; and people often ignore
formally prescribed lines of communication and authority. To fully understand how organizations operate, then, we must consider their informal features. First are the social relations that form not just inside but also outside the formally defined lines of authority (not just who is supposed to interact with whom, but also who really interacts with whom). Second is culture, the set of shared understandings of how things do and should work in the organization, which guides employees’ actual activities (what people really do every day), and informal norms and practices (what is expected and valued). Both social relations and cultures develop through social interaction, as people work together to complete their assigned tasks and achieve their goals (Blau [1955] 1963). But the formal and informal features of organizations are often only loosely coupled, as social relationships, understandings, norms, and practices often deviate from what is dictated by formal procedures and rules (Weick 1976).

Social relations are ties among individuals and groups in organizations. Two main kinds of ties arise in organizations, formal and informal. I discuss each in turn.

The division of labor in organizations, meaning how tasks are assembled into jobs, how people doing those jobs are grouped together in work units reporting to the same manager, and how work units are linked to each other, creates formal social relations, which are based on task interdependencies and formal lines of authority. The task interdependencies that generate formal social relations in organizations can be divided into three categories (Thompson 1967) as illustrated by Figure 1.2. The simplest are pooled task interdependencies, which occur when people or subunit share a common resource. At the micro level, employees might obtain supplies from a common storeroom, use common equipment (e.g., networked computers or high-speed printers), or depend on a single person or group to process their expense reports. On a more macro scale, the many units of a hotel chain may depend on central staff departments for marketing campaigns and for funding to renovate facilities.

More complicated are sequential task interdependencies, which occur when goods or services produced by one group are passed along to a second. The classic example is employees on an assembly line. For example, teams assembling wooden frames for chairs pass their work to teams coating frames with a protective finish, who pass their work to teams attaching cushions and padding to the frames, who pass their work to teams covering the chairs with fabric or leather.

These are often augmented by semi-formal (or quasi-formal) social relations, meaning ties that organizations foster but do not mandate. Semi-formal social relations include task forces, working groups, committees, and interest groups. People usually, but not always, enter into them voluntarily (Biancini, McFarland, and Dahlander 2014).
Most complicated are *reciprocal task interdependencies*, which occur when people work with each other in the production of common outputs, and in doing so pass work products back and forth. For example, take product development: people in research and development (R&D), product engineering, manufacturing, and marketing and sales depend on each other’s efforts in complex ways. Marketing and sales inform R&D what customers want and R&D tells marketing and sales what is technically feasible. Product engineering figures out how to make what R&D comes up with on a large scale and asks R&D to return to the drawing board when product designs are infeasible. Product engineering also communicates with manufacturing, which may return with concerns about how to implement engineering plans. Manufacturing delivers products to marketing and sales. Finally, marketing and sales give feedback on customer (dis)satisfaction to manufacturing and R&D.

Along with social relations comes power, because (as I explain in chapter 5), power is an inherently relational construct. Much power in organizations derives from the formal authority conferred on individuals and groups by the formal structure. People at higher levels usually have more power because their positions are formally designed to have authority over lower-level positions. But that is not always the case. Maintenance workers are low-level employees...
invested with little formal power, but in a French cigarette manufacturer, they had a great deal of informal power because they were the only people who knew how to keep the complex, creaky equipment functioning (Crozier 1964). Thus, people in lower-level positions can acquire power if others depend on them for critical tasks and have no alternatives (Mechanic 1962).

Task interdependencies also generate horizontal power distributions, meaning differences in the capacity to overcome another’s resistance and get something you want done, which overlay the vertical power distributions created by the formal hierarchy. The greater the dependence of one person or group on another, the greater the power that other person or group has over the first (Emerson 1962; Pfeffer 1981). Thus, power is never equitably distributed in organizations, but rather is associated with a person, group, or organization’s relational position. Even organizations that avow radical equality develop unequal authority systems, as Robert Michels discovered through his analysis of the German Social Democratic Party, leading him to proclaim, “He who says organization says oligarchy” (Michels [1915] 1958: 365).

In addition to formal social relations, interacting to manage task interdependencies also generates informal social relations: for example, when people develop friendships that extend their interactions outside the workplace or when they engage in political maneuvering inside the workplace. Such informal social relations are often created when people cut through formal lines of authority to communicate with those they are not instructed to interact with. For example, in a state law-enforcement agency, business inspectors were supposed to communicate only with their supervisors, not with each other (Blau [1955] 1963). Yet inspectors often consulted each other, creating informal social ties that obviated the need to consult their supervisor; they were driven to consult with peers because they wanted to avoid earning “black marks” from supervisors for any demonstration of ignorance. Moreover, the informal social ties created by these consultations created group solidarity and a cohesive professional culture, which reduced inspectors’ social isolation.

Informal social relations are also created when people interact because they work near each other or have social interests, activities, and memberships outside the focal organization. For example, scientists who more frequently encountered each other face-to-face, due to overlaps between their walking paths around their workplace, were more likely to collaborate on research projects (Kabo et al. 2014). Spatial overlaps also increased the likelihood of receiving funding for research projects, thus increasing their chance of success.

Culture consists of underlying assumptions (existential statements about how things work), values (shared understandings of what is good and bad), norms (shared understandings of what is normal and abnormal, of what we do and how we do it), and symbols (tangible artifacts like clothing and office
décor, intangible elements like stories and ceremonies) (Selznick 1957; Geertz 1973; Pettigrew 1979; Smircich 1983; Schein 1996). Different aspects of organizational culture vary in their visibility, like different parts of an iceberg (Schein 1996). Figure 1.3 illustrates the varying visibility of elements of organizational culture. Symbols are highly visible, while values and norms are harder to observe—although they may be made observable through analysis of formal statements of goals or missions, or informal speech. Underlying assumptions are usually invisible because they are either unconscious or taken for granted. They are the most difficult for scholars to discover.

Culture cannot be learned by organizational newcomers by poring over rule books or manuals; instead, it must be learned through direct experience. Old-timers regale newcomers with stories that reflect organizational values and norms. Language, especially organization- or occupation-specific jargon and slang, has shadings of value baked into it (Barley 1983; Van Maanen 1991). Job titles and other labels demarcate what is valued and despised. Ceremonies, rituals, and rites of passage vividly enact central cultural elements. How organizational members act every day—their interaction styles, etiquette, and dress—reveals behavioral expectations. Finally, physical structures and their layout teach silent lessons about what is (not) important. Slowly, as they encounter these symbolic elements and interact with other organizational members, organizational outsiders are transformed into insiders: they come to understand and accept an organization’s culture; they may even internalize that culture, meaning they adopt the organization’s values as their own, making individual

**Figure 1.3. The (in)visibility of organizational culture**
and organizational values congruent. This process creates a new, shared identity, and a sense of belonging that differentiates organizational insiders from outsiders. Insiders’ shared identity, in turn, generates loyalty to other members and the organization as a whole.

Organizational culture derives in part from formal organizational structure. The division of labor necessarily brings some people into close contact with each other and keeps others apart. Different groups develop different habits and routines, which come to be accepted as “the way we do things around here” (Berger and Luckmann 1967), thereby creating divergent subcultures. Physical systems, such as the layout of work spaces, also separate people selectively: for example, open work areas versus offices with closed doors; heterogeneous spaces where people from different subunits work near each other versus distinct homogeneous spaces for people in each subunit (Pfeffer 1982; Kabo et al. 2014). Physical systems can also communicate core values: for example, better parking areas and fancy dining rooms for executives communicate a strongly unequal culture, while undifferentiated parking lots and common dining areas communicate an egalitarian culture. In addition, selection procedures match the values of newcomers to those of the organization, socialization and training procedures communicate culture to newcomers, and evaluation and reward systems demonstrate what is and is not valuable (Chatman 1991). And standard operating procedures convey, by their very existence, what is normal. They make clear how things are usually done.

Culture is also derived from the people in organizations. Founders and other leaders demonstrate what is approved and why through their language, dress, stories, and everyday behavior, all of which are affected by leaders’ backgrounds—their family, education, previous employment experience, political leaning, and religious affiliation. More broadly, the backgrounds of all organizational members shape the norms, values, and expectations that people bring with them into an organization, and thus collectively shape organizational cultures. Cultures develop because leaders and employees bring into organizations their hearts as well as their hands and minds.

Organizational cultures have three effects on people and organizations. First, cultures motivate certain behaviors and discourage others (Vaisey 2009). For example, collectivist values, formally instantiated in rewards for group rather than individual performance, promote information sharing and joint problem-solving (although they can also promote shirking). Second, cultures justify behaviors by helping people make sense of what they do (and do not do) and frame it to others as acceptable (Swidler 1986; Weick 1995). For example, funeral-home directors value “naturalness,” which they enact by posing corpses to look as if they are sleeping peacefully, thus cushioning the shock of death for grieving family and friends (Barley 1983). Third, cultures determine
the available range of strategies of action, making some things conceivable and others inconceivable, thus enabling some actions and disabling others (Swidler 1986). For example, people in the leveraged buyout industry find it difficult to accept women because their image of the ideal worker is highly masculine (aggressive, competitive, and work-obsessed), which conflicts with their beliefs about femininity and motherhood (Turco 2010).

Environments

As Figure 1.1 indicates, no organization is self-sufficient. Instead, all organizations depend on external elements in their environments. For any organization, its environment is the set of all elements that affect the organization by exchanging with it information, materials, people, or money, or by authorizing, facilitating, impeding, or forbidding its activities. The elements of organizational environments are quite varied:

- individuals and families;
- informal groups, such as unorganized social movements, ethnic groups, and neighborhoods;
- other organizations, including competitors, suppliers, customers, government agencies, unions, social movement organizations, and scientific, occupational, and trade associations;
- laws and regulations, including those promulgated by non-state authorities such as unions, occupational associations, and religious institutions;
- information, both explicit (it can be articulated—put into words, numbers, and/or pictures—and so learned easily) and tacit (it cannot be articulated and must instead be learned by doing);
- societal cultures, which consist of widely shared assumptions (existential statements about how things work), norms (ideas about what is normal and abnormal), and values (ideas about what is good and what is bad);
- material resources such as raw materials, equipment, and partly finished goods;
- intangible resources such as corporation reputation and brand identities; and
- money.

Because organizations are dependent on their environments (to adapt John Donne, “no organization is an island, entire unto itself”), any change in any attribute of an organization’s environment will affect it, and any change in that organization will affect its environment.

The most numerous and powerful elements of the environments of organizations are other organizations (including government agencies). Therefore,
to understand organizations in their natural habitats, we must be able to distinguish between different kinds of organizations in any focal organization’s environment. To do so, we need to be able to determine what form each organization has, based on its goals, structure, power, culture, and identity. Then we must figure out how to group organizations together for analysis. There are two main ways to do this: industry and field. An industry is a set of organizations operating in some time and place that shares a common form; that is, they produce similar goods and services, draw on similar inputs and technologies, and serve similar clients or customers. Depending on the research question at hand, industry boundaries may rest on coarse- or fine-grained distinctions. For instance, when analyzing the organizations that generate electricity, we might construe each organizational form and industry narrowly, based on (i) distinctions between entities that generate electricity as their main output (large electric utilities and small-power producers) and those that produce it in the course of other activities (cogenerators) or (ii) distinctions among the many possible fuels and power-generating technologies (coal, natural gas, nuclear, biomass, wind, geothermal, solar, etc.) (Sine, Haveman, and Tolbert 2005). Or, we might define organizational forms and industries more coarsely, distinguishing simply between electricity producers that use “green” (renewable) or “brown” (non-renewable) fuels.

A field is the set of actors that, in the aggregate, constitutes a recognized area of institutional life (DiMaggio and Powell 1983; Fligstein and McAdam 2012), as depicted in Figure 1.1. For the analysis of organizations, this means organizations that offer similar products, suppliers, customers, state agencies, social movement organizations, and professional, scientific, and trade associations (DiMaggio and Powell 1983). Fields are social “things” because the members of fields orient their actions toward one another as they jockey for position, define the rules of the game, and accrue the power needed to achieve their goals (Fligstein and McAdam 2012).

Consider a concrete example: the field of higher education in California. Figure 1.4 is from A Master Plan for Higher Education in California, 1960–1975 (Coons et al. 1960). This plan was developed to handle the huge increase in undergraduate enrollments from members of the post–World War II baby boom. Panel 1.4a shows flows of students from high schools into three forms of public higher education institution—the University of California campuses

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3. Organizational ecologists, whose research takes what I call the macro-demographic perspective (see chapter 4), prefer the term “population,” because much of their work is grounded in human demography and evolutionary biology (Carroll and Hannan 2000). Yet their empirical definitions of organizational populations have typically been particular industries in particular locations.
University of California | California State Universities | Community Colleges
---|---|---
• Undergraduate, graduate, and professional education | • Undergraduate, graduate, and professional education—up to master’s degrees | • Vocational instruction and lower-division (years 1–2) academic instruction
• Primary academic agency for research | • Research is secondary—only as much as needed to be consistent with the teaching mission | • No research is expected
• Sole authority for doctoral degrees | • Doctoral degrees only if joint with UCs or private educational institutions | • No advanced degrees
• Sole authority for instruction in law, medicine, dentistry, and veterinary medicine | • Teacher education | • Remedial instruction, English as a second language, adult noncredit instruction

Figure 1.4B. Differentiation of function in California’s public higher education institutions

(UCs), the California State Universities (CSUs), and the Community Colleges (CCs)—and flows of students among them. The UCs were expected to have the highest standards for admission, accepting only the top eighth of high-school graduates; the CSUs second-highest, accepting the top third of graduates; and the CCs the lowest, accepting all graduates. Panel 1.4b shows how the three forms’ functions were distinguished. The UCs were to focus on research, the training of graduate students, and educating professionals (except teachers); the CSUs on undergraduate education and training teachers,
and a smattering of other professional degrees; and the CCs on the first two years of undergraduate education, plus remedial and adult education programs. Finally, Panel 1.4.a shows that CC students could transfer to UCs or CSUs if they had sufficiently good grades. UCs and CSUs were to enroll at least one student from CCs for every two students who entered straight from high school. Relations between the three organizational forms were managed by a coordinating council, which also included representatives of private colleges and universities in California.4

The Path Forward

As an introduction to the study of organizations, this book draws primarily but not exclusively upon research by sociologists and management scholars.5 It will familiarize you with the main theoretical orientations and show you how they are used to investigate important phenomena. To that end, I will describe the long tradition of research on organizations, but only briefly and with an eye to understanding how early studies of organizations continue to reverberate in contemporary research. The bulk of the book will be devoted to considering current ideas. Although I cite many, many studies, I cannot offer an exhaustive survey of the literature on organizations. Instead, the studies I cite were chosen to offer examples of particular concepts and perspectives on organizations or illustrate larger points about organizational theory. I also reflect critically on existing research and suggest ways to improve it.

Chapter 2 puts organizations in context to explain how they developed and why they are the fundamental building blocks of modern society. Chapter 3 chronicles research on organizations, starting with the influential ideas of the founding fathers of sociology—Marx, Weber, and Durkheim. To add some “flesh” to the bare bones of sociological theory, I explain what motivated these

4. This plan was phenomenally successful, greatly enlarging the scale of higher education at a low cost to the public. Over the next forty years, enrollment increased tenfold while the state’s population trebled. Access increased for both women and men, and for every ethno-racial group. Because of its success, the California Master Plan was copied by multiple states and by foreign countries like Japan and Norway, as they too sought to handle influxes of children born during the baby boom.

5. There is an unfortunate tendency for researchers in business schools to ignore much research conducted in sociology departments, especially when it is published in sociology journals. And there is an equally unfortunate tendency for researchers in sociology departments to ignore much research conducted in business schools, especially when it is published in management journals. As a faculty member with appointments in both sociology and business, I will try to be more balanced in my review of research by both groups of scholars.
men to develop their ideas—what changes they saw in the world around them. After that, the chapter reviews research traditions that appeared up to the mid-twentieth century—again, with an explanation of why associated scholars studied what they did. The chapter ends by arguing that almost all contemporary research on organizations can be understood as fitting into three perspectives—demographic, relational, and cultural—each of which includes several related lines of thinking. The next three chapters dive deeply into those perspectives, explaining why they came to be developed and discussing research at several nested levels of analysis: individual and group (micro); organization, industry, and field (macro). They are followed by chapter 7, which briefly discusses some examples of how and why scholars have combined perspectives.

The final two chapters set out programs for future research. Chapter 8 considers how organizations have been transformed in the digital age, and how the “big data” revolution—moving from a paucity of information to a (sometimes overwhelming) torrent of information that is complex, richly detailed, and up-to-the-minute—requires rethinking our approach to studying organizations. Chapter 9 lays out an agenda for organizational research that will reconnect it to the mainstream of the social sciences and to critical issues in public policy: a shift toward studying the multifaceted impacts of organizations on society, rather than the impacts of society (i.e., organizational environments) on organizations. Several such topics have already proven fruitful and could be taken much further. I focus on three: economic inequality, politics, and environmental degradation.

Finally, there are two appendices. Appendix A offers advice for young scholars. It lays out my views on the nature of science and scientific theory, as well as suggestions about how to build arguments and convince readers, so that scholarly work is better accepted and has greater impact. Appendix B offers a brief introduction to formal social network analysis, which undergirds much research taking the relational perspective that I discuss in chapter 5.
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