

Changes in Organizations and in Organizational Research¹

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We have been experiencing recently a period of remarkable change in the political, economic and social texture of our world. We witness the progress of *Perestroika* in the USSR and the dismantling of totalitarian regimes of the Eastern Bloc nations; we observe the rise of the European Economic Community; we note the rapid industrialization and economic modernization of Japan and Korea; and we watch the struggles of the United States and the United Kingdom as they move from an industrial to a post-Industrial economic system. Reading the changing headlines during recent months calls to mind the forceful meaning of the ancient Chinese curse: »May you live in interesting times!«

I focus attention in this paper on some of the ways in which these broad social changes are reflected in and carried on by organizations. I first describe some of the relevant changes in organization theory and research — developments that attempt to capture the changing nature of organizational realities. Next, I discuss in organizational terms some of the basic changes that are taking place in contemporary societies. Finally, I discuss selected central features of organizations that affect their ability to change: features that act as both barriers to and facilitators of change.

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CHANGES IN ORGANIZATION THEORY AND RESEARCH

Three Phases of Development

Organization theory emerged as a distinct academic discipline in the period after World War II. Three phases of development can be

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identified. Work conducted during the 1950s concentrated on identifying and legitimating this new area of specialization. Analysts were preoccupied with defining organizations. In order to identify them as meaningful units of analysis, theorists emphasized their autonomy: stress was placed on the *independence* of organizations as social units. (See March and Simon, 1958) Most theory and research conducted during this early phase focused on the internal features of organizations, their interrelations, and their effects on participants. (e.g., Blau, 1955; Simon, 1957; Etzioni, 1961)

A second phase was ushered in by the introduction during the 1960s of open systems models. (See Katz and Kahn, 1966; Thompson, 1967) These models stressed in incompleteness of organizations, their dependence on connections with the wider environment. During this period, which extended to the middle of the 1970s, emphasis was placed on the *technical interdependence* of organizations. Theorists viewed organizations as production systems; and organizational environments were viewed as providing sources of information and resources needed to provide inputs, support throughput processes, and dispose of outputs. Organizations existed to perform complex work, and the relevant aspects of environments were *task environments*. (Dill, 1958; Lawrence and Lorsch, 1967)

While such views are not wrong, they are recognized today as being incomplete. Beginning during the middle 1970s, a new generation of models emerged that focused attention on the political, social, and cultural forces shaping organizations. In this current third phase, emphasis is increasingly being placed on the *institutional interdependence* of organizations. Contemporary models reflect the awareness that no organization is just a technical system and that many organizations are not primarily technical systems. More attention is devoted to the ways in which organizations are connect-

ed to and penetrated by larger societal systems and processes. I discuss these institutional ideas in more detail below.

Changing Levels of Analysis¹

Accompanying these shifts in theoretical models have been related changes in analysis level. Early research on organizations focused on the behavior of individual participants within organizations. The unit of analysis was the individual participant, whose attitudes and behavior were to be explained. Organizational features, such as centralization or the division of labor, were taken as given, as a part of the context or situation that could be employed to explain differences in individual behavior.

Only gradually did analysts begin to view the characteristics of organizations as themselves subjects requiring explanation: as dependent variables. It is no accident that this transition from individual to organizational level models took place at about the same time that conceptual frames shifted from closed to open systems models: to models emphasizing the importance of environmental elements as determinants of organizational structure.

There has, thus, been great emphasis on organization-environment connections. But what is regarded as »organization» and what »environment» varies depending on the level of analysis selected. Three levels have received prominent attention during the past two decades. Movement has been steadily in the direction of higher and more encompassing levels: from sets to populations to fields.

Organization Sets. The earliest and still most commonly employed level in examining organization-environment relations is that of the organization set. (Blau and Scott, 1962; Evan, 1966). This approach identifies a »focal» organization that is the unit of primary attention and then traces its interrelations with other »counter» organizations that supply critical resources. This conception lends itself well to the work of analysts employing the resource-dependence theoretical perspective, examining the ways in which power-dependence relations develop out of unequal exchanges and the strategies organizations employ to manage dependence. (See Thompson, 1967; Pfeffer and Salancik, 1978; Porter, 1980)

A central defining feature characterizing analysis at the set level is that the environment is

viewed from the vantage point of a single, selected organization. While this focus illuminates important aspects of organization-environment relations, it directs attention away from connections that may be present linking some or all organizations — focal and counter — into larger systems of relations.

Organization Populations. A second level focuses on collections of organizations defined as broadly similar in form or functioning, for example, colleges or hospitals or newspaper publishers. This level is most commonly used by analysts employing the ecological perspective, which emphasizes environmental selection of those forms best adapted for survival. (See Hannan and Freeman, 1977; Hannan and Freeman, 1989; Aldrich, 1979) The population level draws attention to changes that occur in organizational forms over long periods of time due to variations in the rate at which certain types of organizations are founded or cease to exist.

Without question, the population ecology approach has added much to our understanding of change processes in organizational forms, as I will emphasize below. By focusing attention on processes affecting similar, competing forms, however, it does not provide a useful framework for investigating the ways in which organizations, both similar and diverse, are linked into wider interdependent systems of organizations.

Organizational Fields. This level of analysis directs attention to the existence of systems of like and unlike organizations that are functionally interdependent. Such interorganizational networks may be delimited by geographic boundaries, for example, relations among organizations within a community or metropolitan area; or the boundaries may be determined by functional criteria so that widely scattered organizations are incorporated within the same operating system. Examples of such interorganizational systems or networks include alliances among companies and their subcontractors or stable systems of interaction linking governmental regulatory agencies, the organizations they regulate, and cognizant legislative bodies. I discuss examples of such network or alliance systems below.

The identification of these diverse levels allows us to better comprehend the complex interdependencies found in modern societies. The analytical distinctions can be used to characterize either organizations or environ-

ments. Thus, the concept of population may be employed to identify either an aggregate of organizations selected for analysis or, alternatively, an important feature of the environment of any particular member organizations. Similarly, organizational fields can both identify new and complex interorganizational systems to be studied in their own right or treated as complex contexts affecting individual component organizations.

More generally, research at these new levels of analysis has transformed our understanding of organizational environments. Environment is no longer treated as a residual category, viewed merely as that which is »not organization» — as »everything else». Nor are environments treated simply as a set of abstract dimensions — e.g. varying levels of complexity, turbulence, munificence — that can be assessed as variables for each organizational location. (See DiMaggio, 1986) Rather, the new analytic levels have helped us to see that the environments of organizations are themselves increasingly organized. They are comprised of other social actors — often, other organizations — and of particular configuration of relations that themselves may constitute a system, viewed at a higher level of analysis. In sum, we have moved during the most recent decades from examining the environment of organizations to attending to the organization of environments.

From Technical to Institutional Environments

As noted above, since the mid 1970s, analysts have included social and cultural fea-

tures of environments along with more technical aspects. *Technical* views of environments emphasize that organizations can be rewarded for efficient performance: that resources and legitimacy may be garnered by performing useful work in an efficient manner. *Institutional* views of environments stress that organizations can also be rewarded for conforming to beliefs or rules specifying approved modes of operation. (Scott and Meyer, 1983) Such requirements sometimes exist as widely shared beliefs; or they may be much more highly codified as rules enforced by public agencies or by professional associations. In either case, organizations conforming to these beliefs receive resources and legitimacy. Earlier institutional analysts placed more emphasis on the importance of normative controls while more recent theorists stress the cognitive dimensions of these cultural systems: the orienting features and the taken-for-granted assumptions that publics and participants share and to which organizations are expected to conform. (See Berger and Luckmann, 1967; Meyer and Rowan, 1977)

Technical environments utilize market controls; organizations operating under these conditions are subject to strong output pressures. Institutional environments utilize procedural controls; organizations in these contexts are expected to conform to process controls specifying how or by whom activities are to be performed. These concepts are intended to improve on existing, related distinctions. For example, a problem with the distinction between »market» and »non-market» controls is that the latter category is only defined residually. The

Figure 1.

		Institutional Environments	
		Stronger	Weaker
Technical Environments	Stronger	utilities banks general hospitals	pharmaceuticals General manufacturing
	Weaker	mental health clinics schools; legal agencies churches	restaurants health clubs

Source. Scott (1987: 126, Table 6-1)

related distinction between »public» and »private» sectors suffers from the fact that, on the one hand, public organizations are increasingly subject to some market controls and, on the other, private organizations are subjected to many types of procedural regulations.

Technical and institutional features are more usefully viewed as dimensions along which environments vary than as mutually exclusive conditions. (Scott and Meyer, 1983; Scott, 1987b) Although output and process mechanisms tend to be employed as alternative modes of control, they can be and often are combined. Figure 1 depicts varying combinations of environmental controls arbitrarily dichotomized into strong vs. weak states. Illustrative types of organizations found in each environment are listed.

Organizations such as utilities, airline companies and banks are subject to highly developed technical as well as highly developed institutional forces. In general, organizations of this type carry out tasks that combine complex technical requirements with a strong »public good» component. They face both output and process controls and must be attentive to both efficiency/effectiveness demands and to pressures to conform to procedural requirements. As a result, we would expect their administrative structures to be larger and more complex than those of organizations facing less complex environments.

By contrast, most manufacturing concerns (in competitive economies) operate under strong technical requirements and weaker but varying degrees of institutional pressures relating to such matters as occupational health and safety and pollution control. Most professional service and public organizations such as schools, churches, law firms, and administrative agencies operate in strong institutional/weak technical environments, although varying levels of technical control are present.

Previous theory and research has emphasized the consequences of differing types of technical influences for organizational structure. (See, e.g., Galbraith, 1973; Perrow, 1967; Woodward, 1965) Now as attention shifts toward incorporating institutional influences, we need to attend more to the great variety of institutional frameworks that exist in contemporary societies and examine their consequences for organizations. For example, the many units of the nation-state relate in wonderfully various ways to constituent organizations;

and the professions vary greatly in power and express their influence through diverse mechanisms. (See DiMaggio and Powell, 1983; Scott, 1987a) The effects of such variations in institutional agencies and forces on organizations remain to be explored.

Where neither technical nor institutional environments are highly developed, it is difficult for organizations to flourish. Forms such as personal service units (e.g. health clubs; child care agencies in the U.S.) that develop under these conditions tend to be small and unstable. [Such service agencies become strong and stable only to the extent that institutional supports become more highly elaborated with clear regulations and dependable funding arrangements, as has occurred for child care services in many countries in Europe.] It appears that viable and enduring organizational forms can emerge in either technical or institutional environments, but that one of these two sets of constraints/supports must be present.

Both technical and institutional environments give rise to rational organizational forms, but each type is associated with a different conception of rationality. Technical environments emphasize a rationality that incorporates a set of prescriptions for matching means and ends in ways that are efficacious in producing outcomes of a predictable character. They are associated with what Hannan and Freeman term the production of »reliable» performances. Institutional environments embrace a rationality that is suggested by the cognate term, »rationale»: the ability to provide an account that makes past actions understandable and acceptable to others. They are associated with what Hannan and Freeman term the production of »accountable» activities. (See Hannan and Freeman, 1984)

To summarize, a number of important changes have transpired in organization theory and research during the past four decades. Theoretical models have shifted from closed to open ones that emphasize the interdependence of modern organizations. Early attention to the technical and market pressures shaping organizations has been supplemented with new views that emphasize the importance of symbolic — both normative and cognitive — features. And the systems isolated for analysis have moved from micro attention to individual participants to macro studies of organizations and their environments variously identified to encompass

organizational sets, organizational populations and organizational fields. Organization theory is, as a result of these developments, in a better position to comprehend the increasingly complex reality of the changing world of organizations.

In particular, our field is better able than formerly to deal with the realities confronting modern public administrators. Most such officials are not in the business of managing a single, independent organization but rather must cope with complex, inter-nested systems of organizations — private, public, and mixed. The typical public administrator is working within, and attempting to understand and influence, an organizational field. Conceptions such as »policy sector» have developed to comprehend this widened sphere. Organizational theorists are now at work devising related concepts and arguments appropriate for this level of analysis. (See DiMaggio and Powell, 1983; Scott and Meyer, 1983)

CHANGES IN ORGANIZATIONS

Modern social structures are undergoing change in diverse and complex directions. I stress three directions in which change is currently occurring: increasing differentiation of organizational forms; movement toward decentralization; and a shift toward privatization.

Differentiation of Forms

There is evidence that organizational forms have become more diverse over time. That is, there are today more kinds of organizations than existed in earlier times. Not only are organizations being used to pursue a wider range of goods and services, so that their goals and work processes are more varied, but there is also greater variation in their normative and social structures. The legal structures of organizations have rapidly become more varied as conventional forms of for-profit enterprise are combined with selected features of public agencies to produce a wide variety of hybrid forms: from wholly-owned government corporations through mixed ownership forms to government sponsored private corporations. Such diversity in legal ownership arrangements are supplemented by creative variations in the ways in which boards of directors are constitut-

ed, the manner of financing, and the nature and extent of external controls imposed. (See Seidman, 1975)

Similarly, contemporary organizations exhibit greater variation in their social structures. The early prevalent type of unified structure has been joined by multidivisional structures, matrix forms, conglomerates and multinationals. While many organizations still operate as detached, independent units, others have formed a variety of connections — forming industrial districts, partnerships among lead companies and subcontractors, strategic alliances and joint ventures — that allow them to collectively adapt to their environments. (See Dore, 1983; Hagg and Wiedersheim-Paul, 1984; Hakansson, 1987; Powell, 1990)

Population ecologists Hannan and Freeman underscore the societal advantages of organizational diversity in times of rapid change.

A stock of alternative forms has value for a society whenever the future is uncertain. A society that relies on a few organizational forms may thrive for a time; but once the environment changes, such a society faces serious problems until existing organizations are reshaped or new organizational forms are created. . . . A system with greater organizational diversity has a high probability of having in hand some form that does a reasonably satisfactory job of dealing with the changed environmental conditions. (Hannan and Freeman, 1989: 8)

It has been argued, for example, that one factor accounting for the strength of higher education in the U.S. is that the system contains a wide variety of public and private organizational forms. Public administrators need to be aware of the importance of organizational diversity as a societal resource and find ways to foster it throughout diverse industries and sectors.

Decentralization

During the past two decades, there has been a broad general movement in all advanced societies toward decentralization. This trend affects both private and public forms of organization. There are, however, many dimensions or aspects of decentralization, and it is important to be clear about what changes are involved in any particular case. One of the most useful discussions of the many facets of decentralization is that of Kochen and Deutsch (1980) They identify eight dimensions:

1. Pluralization (increased numbers) of agents
2. Dispersion of agents in space

3. Functional specialization among agents
4. Responsiveness (lapse in time between client's request and agent's response)
5. Flatness of hierarchy (number of authority levels)
6. Delegation of decision making to lower levels
7. Participation in decision making by clients
8. Participation in structural redesign of agency by clients

Such a listing expands considerably the usual criteria considered. It is perhaps obvious that the different facets serve varying objectives. It appears that pluralization and dispersion primarily serve the goal of increased access by clients to whatever level and type of service the organization chooses to provide. By contrast, specialization, hierarchy flatness, delegation, and participation are intended to improve *effectiveness* of operations. Specialization is expected to increase agent's expertise; and flattening the hierarchy, delegating decisions to lower agents, and increasing client participation are designed to increase the information available and thus improve the quality of decision making by organizational participants. Finally, timeliness and client participation serves the goal of *responsiveness*, both in improving the rapidity of response but also in increasing its sensitivity to client preferences and/or needs.

These various aspects of decentralization are also associated with different costs. Multiplication of agents and locations increases scale, complexity and financial costs. As discretion becomes more diffused through the organization and moves outside to incorporate the publics being served, the costs involved are primarily loss of control by leaders over the organization's goals and resources. While some would argue that it is appropriate for clients to seize control, it should be remembered that the most active claimants are not necessarily those most representative of client interests. Decentralization is neither cost-less nor is it a cure-all for all the deficiencies that plague organizational performance.

It is also important to note that all of these facets of decentralization pertain to a framework in which a single organization is the focus of analysis. We need to determine what changes in and additions to our conceptual apparatus are required as we consider decentralization within organizational sets and fields.

Privatization

Like decentralization, privatization has become a very pervasive movement in contemporary societies. But, also like decentralization, privatization is not one thing but a range of phenomena. (See Savas, 1985; Hanke, 1987) Analysts have identified a number of dimensions along which the general distinction between public and private can vary. (See Pack, 1987; Bozeman, 1988) These include:

1. Ownership (including the extent to which ownership is transferable)
2. Financing (sources of funding)
3. Locus of production (extent to which goods and services — both final and intermediate — are produced by public/private entities)
4. Extent of regulation (the number and types of controls exercised by public agencies and institutions — e.g., Civil Service system)

These dimensions are relatively independent and can be cross-classified, producing complex combinations of private/public mixtures.

Privatization can occur at more than one level. Thus, privatization at the organizational level could involve a change in ownership, in financing, in locus of production, or in type of regulation for a given organization. Privatization at the *ecological* level, by contrast, occurs to the extent that an organizational field or sector is opened up to multiple types of organizations. For example, privatization can involve decreased regulation of some but not all types of providers in a sector; or it may involve the introduction of for profit providers into an arena, such as health care in the US, formerly containing primarily public and non-profit organizational forms.

More generally, for most purposes, privatization is more appropriately approached at a field or sector than an organizational level. It often involves not simply a change in the form or functioning of a single organization, but a change in the relations among a number of interconnected organizations. (See Kaufmann, Majone and Ostrom, 1986) In earlier and simpler times, it was perhaps possible to equate public sector functions with the operation of governmental organizations. Today, as Bozeman (1988: 672) emphasizes:

private organizations are performing functions traditionally performed by the government, functions that are no less in the public domain or in the public interest just because the provider is no longer a government entity.

Privatization entails not only the development of new types of organizational forms but the creation of new types of relations among organizations, including new control mechanisms and incentives. Thus, we are witnessing the emergence of new organizational fields involving complex partnerships among public, private, and mixed organizational forms. We need to know much more than we now do about how to design such alliances. And we need to be certain that the design criteria give attention not only to efficiency but also to other values, such as accountability, effectiveness, and equity.

BARRIERS AND FACILITATORS OF ORGANIZATIONAL CHANGE

Organizations, both public and private, do undergo change but not always easily or in desired directions. In this last section, I attempt to review major factors affecting organizational change. Most discussions focus on the introduction of new processes or programs, rather than on more fundamental structural changes. We too will emphasize the former types of change but also comment in conclusion on structural change. The characteristics discussed are more often used to explain the absence of change but we will emphasize that, under some conditions, they act to facilitate it. The four sets of factors to be reviewed are: (1) bounded rationality; (2) vested interests; (3) embeddedness; and (4) institutionalization.²

Bounded Rationality

The most common view of organizations stresses their specialized objectives, differentiated roles, and formalized structures. Such systems are »rational» to the extent that rules and roles are designed as effective and efficient means to achieve pre-established ends. (Scott, 1987b: 32–35) The systems are »bounded» in that the prescribed behaviors are functional only given the specified goals and assuming no changes in the conditions present when the systems were put in place. As Katz and Kahn (1978: 714) point out, these types of systems:

are overdetermined in that they have more than one mechanism to produce stability. For example, they select personnel to meet role requirements, train them to fill specific roles, and socialize them with sanctions and rewards to carry out prescribed

patterns. Thus, when it comes to change, organizations show defenses in depth.

Many studies of innovations and change point to the barriers posed by existing formalized structures. Existing procedures, work routines, and incentives stifle attempts to introduce change (See Mirvis and Berg, 1977; Nelson and Yates, 1978). In her study of innovation in industry, Kanter (1983) asserts that one of the greatest barriers to change is »segmentalism»: »the idea that any decision problem is best factored into subproblems, with each assigned to a different unit.» This type of fragmentation is consistent with »local rationality» but undermines attempts to

aggregate subproblems into larger problems, so as to re-create a unit that provides more insight into required action. [Problem aggregation] helps make possible the creative leap of insight that redefines a problem so that novel solutions can emerge. (Kanter, 1983: 29)

While specialization, formalization, and centralization are features that often act to resist organizational change, these same characteristics also serve to support the orderly introduction of innovations and reform. Weber (1947) was undoubtedly correct in stressing the flexibility and responsiveness of the legal-rational, »bureaucratic» structures, in contrast to traditional, patrimonial organizations. Modern administrative systems are structures designed to enshrine expertise and to rapidly implement new directives. Hence, the question becomes, What types of change do these structures support? Innovations consistent with the pre-established goals of the organization and with its existing procedural logic are those most likely to be rapidly adopted and implemented.

Vested Interests

It has long been recognized that organizations are not simply technical systems for managing means to achieve ends, but are also political systems generating and serving particular interests. Organizations are deliberately constructed to preserve and promote certain interests. Additional interests are generated by organizations: persons and groups receive status, authority, and resources by virtue of their participation. And, interests are also imposed on organizations: participants import existing external interests, and various constituencies seek to build their concerns into the organiza-

tion's agenda. (See Pfeffer, 1981) The latter process is especially pronounced in public organizations, whose constituencies are likely to believe that they have a legitimate right to access and to influence.

Many interests, once vested, retard change. Persons resist new ideas, new techniques, and new programs in part because they may imperil existing arrangements from which they benefit. On the other hand, some interests facilitate the acceptance of change. Some persons and groups have a vested interest in innovation. This is the case with many groups associated with modern, »rational» organizations, especially professionals. It is in the interests of such groups to keep abreast of the most modern and up-to-date techniques and programs. Professional interests are often less vested in a particular structure or set of techniques and are more attuned to and supportive of the processes by which new knowledge is created and credited and introduced as the base of new practice. The career interests of many participants in modern organizations are tied to the introduction of change.

Embeddedness

The determinants of behavior in organizations are not limited to those exerted by formalized roles and vested interests. As Granovetter (1985) argues, to insist on the priority of the former is to embrace an »oversocialized» conception of behavior; the latter provides an »undersocialized» conception. For better or worse (in the case of change, for better *and* worse), behavior in organizations is »embedded in concrete, on-going systems of social relations.» (Granovetter 1985: 487) Behavior in organizations is constrained and supported by informal relations and norms: friendships, collegial ties, norms of reciprocity, trust. Such ties connect persons and groups both within and across organizations. Transorganizational loyalties — for example, to one's professional colleagues — are as strong as or stronger than those to one's immediate associates.

Relational networks work to inhibit as well as to facilitate change. Such networks carry resistance to change in the form of pressures to »be a team player» and »not to rock the boat». On the other hand, being embedded in a network can encourage change, bringing one news of new ideas and practices, support for their

adoption, helpful hints regarding implementation, and social support for experimentation.

Granovetter emphasizes the general point that individuals are embedded in networks of constraining and supporting social relations. I would add two more ideas. First, embeddedness is not only a general feature of social beings — it is a multidimensional variable. The kinds of networks individuals are involved in — their density, connectedness, variability — differs greatly and may be expected to affect the acceptance of change. Second, embeddedness is often treated as primarily an abscribed characteristic, as a condition not readily manipulated. By contrast, it is essential to recognize that embedding can be designed and managed. Managers interested in introducing change can influence interpersonal and interorganizational networks in ways that will affect greatly the success of their efforts.

Institutionalization

The term »institutionalization» is used in a wide variety of ways, some of which overlap with the factors already considered. I will attempt to highlight the distinctive contribution associated with this concept. Like those who emphasize the embeddedness of social behavior, institutional theorists take exception to the utilitarian view that most behavior conforms to rational design or that it is largely driven by narrow economic interests. But unlike those who focus on the affective and normative constraints of social networks, institutionalists emphasize the cognitive, orienting aspects of social systems, and the taken-for-granted assumptions that participants incorporate from their social environments (see Meyer and Rowan, 1977; Zucker, 1983; Scott, 1987a) From this point of view, the structure of formal organizations or of larger organizational fields is viewed as a theory, or as an ideology of action. Meyer (1983: 263) elaborates this perspective:

Structure is not, here, some kind of empirical summary of prevailing patterns of activity. Rather, it is the collective social codification of what is going on in a given activity domain. It is a cultural depiction or account of actions, action, and relationships. Such accounts have their normative aspects, but are heavily cognitive in character as they are perceived and used by people.

An institutionalist perspective reminds us that organizations are distinctive types of social entities, providing distinctive accounts or

depictions of the purposes and activities of participants. The accounts they offer are rational, emphasizing purposes, asserting the existence of means-ends chains which link actions and goals, claiming jurisdiction over a defined domain of activity, defining boundaries that separate it from its environment, and documenting the presence of a unified sovereign authority. These accounts provide justification to external audiences, who supply legitimacy, and a rationale to organizational participants, who require coherence and meaning.

Just as individuals depend on their social relationships for explanations and accounts to define social reality and supply meaning, as we have learned from the work of ethnomethodologists, so organizations are also highly dependent on their environments for ideologies and rationales to justify and legitimate their behavior. Organizations obtain vital resources by exhibiting conformity to external authorities ranging from professional associations to governmental regulators. (See DiMaggio and Powell, 1983; Meyer and Scott, 1983) Public organizations obtain their legitimacy and resources from legislatures, legal structures, and public belief systems. As complex systems of organizations, nation states obtain legitimacy and support from the wider world system of nations and international organizations. (See Thomas et al., 1987)

Organizational systems that are in place and consistent with the conceptual models and ideologies promulgated by authorities are, thereby, institutionalized and resistant to change. Under conditions of high institutionalization, proposed innovations are not simply disruptive of the existing order but incorrect, illegitimate, even »unthinkable.«

Although institutionalized structures resist the introduction of new ideas and new practices, once such innovations take root and are adopted by the more adventurous and forward-looking organizations, institutional pressures induce their diffusion to other, more conservative systems. Initial adopters are likely to be driven more by rational/technical developments or by vested interests; later adopters by social pressures and institutional processes. (See Tolbert and Zucker, 1983)

Structural Change in Organizations

Summarizing across all of the forces that induce stability in organizations, Hannan and

Freeman (1984; 1989) conclude that organizations exhibit a high degree of *structural inertia*. They point to such internal factors as sunk costs in equipment and specialized personnel, vested interests, and pressures toward internal consistency; and to such external factors as restrictions on competition and the constraints imposed by legitimating agents. Given this array of forces, they argue that most of the structural change we observe in organizational forms is produced by turnover (selection) among types of organizations rather than by adaptive changes of existing organizations. That is, by shifting attention from the individual organization to the population level, we are able to observe that many organizations are not able to successfully adapt to changing conditions. Much change in organizational forms occurs not via the modification of existing organizations but through their replacement with new forms.

CONCLUDING COMMENT

In this paper, I have attempted to deal with three aspects of change. I first discussed some changes occurring in organization theory; I next described some general changes that current organizational forms are exhibiting. Finally, I reviewed basic factors thought to influence the ability of organizations to undergo change. These, I believe, are useful building blocks. What we must do next is to better use recent developments in organizational theory and current notions of the factors facilitating and inhibiting organizational change to better understand the many changes we encounter in the complex organizational systems of contemporary societies.

NOTES

1. Portions of this and the following section draw on materials in an earlier article. (See Scott, 1990a).
2. Portions of this section draw on materials prepared for Scott (1990b).

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